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Financial and Commercial Safeguards.

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The transference of responsibility to India was implicit in the Declaration of 1917 and all doubts about that were dispelled by the historic announcement of Lord Irwin in 1927 made with the permission of His Majesty's Government 'that in the judgment of that Government it was implicit in the Declaration of August 1917 that the natural issue of India's constitutional progress as there contemplated was the attainment of Dominion Status.' The successive speeches of responsible ministers of His Majesty's Government fully confirmed this view. It was emphasized and duly accepted by Indians that during the transitional period there should be certain reservations and safeguards on the nature and extent of which there has been a good deal of difference of opinion between the Britishers and the Indians. According to paragraph 2 of the Gandhi-Irwin Pact 'reservations or safeguards' were to be 'in the interests of India,' but according to paragraph 1 of the Introduction of the White Paper, "these limitations commonly described by the compendious term 'safeguards' have been framed in the common interests of India and the United Kingdom." This goes contrary to the provisions of the Gandhi-Irwin Pact mentioned above.

A good deal of the time of the three sessions of the Round Table Conference was taken up by a discussion of the safeguards which became more and more numerous and more and more rigid as the Conference proceeded and the proposals of the White Paper are not based on a substantial measure of agreement between the Indian and the British representatives. The safeguards, as a matter of fact, nullify whatever little responsibility has been sought to be given according to the terms of the White Paper. Sir Samuel Hoare has stated that these safeguards 'are not stone walls that block the road, but are hedges on each side of the road which no good driver ever touches, but that prevent people on a dark night falling into the ditch nor can they be considered as ultimate controls.' Let the following statement quoted from the presidential address of Dewan Bahadur Ramachandra Rao at the Calcutta session of the National Liberal Federation answer. He said, 'This euphemistic description cannot be accepted and there is a very serious apprehension that they will, as now expressed in the White Paper, be a permanent barrier to the growth of responsibility of the Federal Legislature and the Federal Ministry.'

At the end of the third session of the Round Table Conference Sir Samuel Hoare made a statement that 'there can be no effective transfer of responsibility unless there is an effective transfer of financial responsibility.' But the financial safeguards contained in the White Paper are such as to impose very serious restrictions on the Finance Minister and the Federal Legislature. One can agree to the fact that the British investors should be given adequate security for the funds they have invested in India. The security of a creditor should not be impaired but the creditor should not be allowed to meddle with the day-to-day management of the property.

If the provisions of the White Paper regarding financial safeguards are analysed, it may be said that there is not a shadow of control proposed to be given to the future Indian Government in the sphere of finance. Let us have a picture of the present Finance Department of the Government of India and

see what it does. It controls the currency and exchange and also the revenue and expenditure of the Government. The Commerce Department of the Government of India controls the Indian railways whose gross budget amounts to nearly 100 crores.

When we talk of financial control with safeguards the natural inference is that the Commerce Department will be transferred to popular control without any safeguards. But has it been so according to the proposals of the White Paper? The provision with regard to it is contained in paragraph 74 of the Introduction, the relevant portion of which is as follows: 'His Majesty's Government consider that it will be essential that, while the Federal Government and Legislature will necessarily exercise a general control over railway policy, the actual control of the administration of the State railways in India (including those worked by companies) should be placed by the Constitution Act in the hands of a Statutory Body so composed and with such powers as will ensure that it is in a position to perform its duties upon business principles and without being subject to political interference. With such a Statutory Body in existence it would be necessary to preserve such existing rights as the Indian Railway companies possess under the terms of their contracts to have access to the Secretary of State in regard to disputed points and if they desire, to proceed to arbitration.' This is very vague, but the actual control is to be vested in a Statutory Body created under the Constitution Act. If so, it will be created not by an Act of the Indian Legislature, but by an Act of the British Legislature and the railways will have access to the Secretary of State in case of disputed points. India, however, cannot be satisfied unless it is definitely laid down that the constitution and powers of the Railway Board will be fixed by the new Indian Legislature only and not by the British Parliament.

THE RESERVE BANK.

Paragraph 32 of the Introduction enumerates four conditions on the completion of which the Reserve Bank can be established. They are: (1) The Indian budgetary position should be assured, (2) the existing short-term debt both in India and in London should be substantially reduced, (3) adequate reserves should be accumulated, and (4) India's normal export surplus should be restored. The first condition cannot be easily fulfilled as long as the expenditure of the Government of India is maintained at the present level and the present currency and exchange policy of the Government cannot easily allow the fulfilment of the other three conditions.

Questions of coinage and currency will be undertaken by the Reserve Bank. The question is whether the policy of the Bank will be under the unfettered control of the Indian Legislature or not. To put the case in a concrete way: Will it be possible for the Indian Legislature to pass legislation regarding currency and exchange in the interest of India or not? Suppose the Indian Legislature wants to unlink the rupee from the sterling or to lower the ratio to 1s. 4*d*., will it be able to do so? According to paragraph 31 of the Introduction, this will not be possible and the previous consent of the Governor-General in regard to coinage and currency legislation will be necessary and he can also interfere with the management of currency and exchange by the Reserve Bank. All this is unnecessary. The representatives of the Federation of Indian Chambers made it perfectly clear that Indian business interests demanded a transfer of the control of currency and coinage from the Finance Department to the popular legislature of the future. (See Appendices c (I), c (II) and c (III) of the Report of the Representatives of the Federation on the Second Round Table Conference.)

CREDIT AND FINANCIAL STABILITY.

According to paragraph 31 of the Introduction of the White Paper, 'The object of the Governor-General's special responsibility for the safeguarding of the financial stability and credit of the Federation is to confer on him powers to step in, if the need should arise, in the event of the policy of his minister in respect, for example, of budgeting or borrowing being such as to be likely in the Governor-General's opinion to endanger seriously the provision of resources to meet the requirements of his reserved departments or any of the obligations of the Federation whether directly or indirectly by prejudicing India's credit in the money markets of the world.' This safeguard to a great extent nullifies responsibility. This has been inserted with a view to safeguard the position of the British investors and thus their unreasonable demand has been conceded. The total debt of India upto

31st March, 1931, amounted roughly to Rs. 1162.96 crores of which the internal debt was Rs. 645.95 crores and the external debt Rs. 571.01 crores (page 374, *India in* 1930-31). It may thus be said that the total indebtedness of India is half in India and half in Great Britain. With this special feature, can it be said that Indians would be so rash as to ask for any system of reform which would jeopardise the safety of those in India who have lent to the Government to the extent of Rs. 645.95 crores? Most of this debt of India is productive debt. Why then this extra caution that the management of finance in India cannot be left with the legislature in India and specially cannot be left to be looked after by those whose interests are the same as of the British investors?

The City Financiers may be satisfied but the Indian investors cannot be neglected, because if the latter's confidence is lost the credit of the Government cannot be maintained even for a day. It is the Indian investor who in future will provide most of the money and the Government should do nothing which may lose them his confidence.

Argentina and America borrowed money from London. Did they provide any safeguards in their constitution? If not, why should the City Financiers ask for safeguards from us? We have been with them and shall remain with them as co-partners in the Empire. The Argentine and America are not the partners with England and still they got money without providing for special safeguards. The best safeguard is the goodwill of the Indians. If 80 per cent of the revenue is mortgaged to London to the Governor-General, then the position of the Indian investors is simply jeopardised and is not at all secure and, therefore, Indians must oppose these safeguards.

Financial Adviser.

No case seems to have been made for a Financial Adviser. This was a new proposal at the Third Round Table Conference to which Indian representatives did not fully agree. If at all necessary he should be appointed in consultation with the Minister and should in no way be a representative of vested interests either in India or in England. Under the proposals of the White Paper he will be responsible to the Governor-General and will thus be ultimately controlled by the Secretary of State. Under the circumstances he can easily be a source of danger to the working of the constitution.

The General Budget.

Coming then to the General Budget amounting to about 90 crores of rupees, the finance of the Army is to be controlled by the Crown which takes away nearly 47 crores, debt charges amount to about 15 crores and pensions and other charges about 10 crores which are to be reserved to the Crown (paragraph 49 of the Proposals of the White Paper, Part I). Thus out of a budget of about 90 crores, about 72 crores is reserved to the Crown. When, therefore, 80 per cent of our revenue is reserved to the Crown and the Legislature will have no say with regard to this amount, and when in the remaining 20 per cent also the Governor-General will be able to interfere in cases of emergency which will come under his special responsibility, it will be seen that the transfer of control to the future Finance Member of India is meaningless. If we are to have control over our finances, the mortgages should first be reduced and then the safeguards will be tolerable even if they are rigid. As the position stands at present, even if the safeguards are relaxed it is not possible to get any effective control over our finances.

This can be done by reducing the military expenditure from 47 crores to the pre-war level of 33 crores and by reducing the debt charges substantially. According to the Simon Commission the military expenditure of India increased by 100 per cent between 1913 and 1928 while in the case of the Dominions the increase was only 33 per cent and in the case of Great Britain 48 per cent. Prices are now much lower than in 1913 and there is a great possibility of the reduction in this item provided the Government is willing to do so.

In this connection the findings of the Simon Commission deserve quotation. They write, 'But apart altogether from the question of other forms of expenditure in India, the defence charge is undoubtedly high. A recent comparison of the military expenditure of the nations of the world shows that in this respect India is seventh on the list among the Great Powers and that her expenditure on armaments is between two and three times as great as that of the whole of the rest of the Empire outside Great Britain. Again, the total is not only high in itself and as compared with other countries, but it has also greatly increased as compared with the pre-war situation. India in fact has not obtained any relief from the greater sense

of world security, which has succeeded the world war. On the contrary, her defence expenditure has risen even after allowing for the rise in prices and has grown more rapidly than in other parts of the Empire.. But it is relevant to my present purpose to point out that the total is at present so large, both absolutely and in relation to the revenues of India, as to be a dominating factor in the financial situation' (*Simon Commission Report*, Vol. II, Paragraph 248, pages 216, 217, 218).

With regard to debt services, it should be said that Indians are prepared to bear every pie of debt they have borrowed, but expenditure on account of the Egyptian War, the Sudan War, the Abyssinian War, etc., should not have been debited to Indian revenues. If India's obligations are examined impartially and if probably the Report of the Capitation Tribunal were to see the light of the day, a very strong case would have been made out for reducing this burden from the shoulders of India. If this could be done even rigid safeguards would be tolerable.

COMMERCIAL SAFEGUARDS.

Commercial safeguards as included in Classes 122-124, Part III of the White Paper are unacceptable to Indians. The provisions of paragraph 122 are too wide and prevent retaliation on the part of Indians. The provision that 'the Federal Legislature and the Provincial Legislatures will have no power to make laws subjecting in British India any British subject (including companies, partnerships or associations constituted by or under any Federal or Provincial Law), in respect of taxation, the holding of property of any kind, the carrying on of any trade, profession, business or the employment of any servants or agents or in respect of residence or travel within the boundaries of the Federation, to any disability or discrimination, based upon his religion, descent, caste, colour or place of birth' is too unsatisfactory from the Indian point of view to be accepted. The words 'any British subject' include the white people of the Dominions and of Fiji and Kenya where Indians are subjected to racial discrimination. There is no conceivable reason why this power of retaliation should be held back from Indians. This goes contrary to the spirit of the resolution of the Imperial Conference of 1921 which empowers India to restrict immigration into her territory as it may suit her and to discountenance the disabilities to which her nationals are subjected in parts of the British Commonwealth. In this respect the recommendations of the Minority of the Indian Fiscal Commission may be usefully quoted which are that 'no agreements based even on reciprocity in trade matters should be entered into with any Dominion which has on its statute books any anti-Asiatic legislation applying to the Indian people......To the Indian people their self-respect is of far more importance than any economic advantage which any Dominion may choose to confer by means of preferential treatment. We may confidently state that the people of India would much prefer the withdrawal of such preference as they would not care to be economically indebted to any Dominion which does not treat them as equal members of the British Empire having equal rights of citizenship' (*Fiscal Commission Report, Minute of Dissent*, Paragraph 41). It is thus not in the interests of India to deny to her the power of retaliation which is her just right and which she possesses according to the resolution of the Imperial Conference of 1921 though it be unimplemented. The Dominions claim that in certain circumstances they have the right to exclude even the people of Great Britain and this right seems to have been exercised once or twice. Further the Baltic Exchange and the Jute sale rooms in London were not open to Indians till 1929 and even the Bank of England has laid down that no financial accommodation would be granted by the Bank on the security of bills unless the bills bore two English names of which one should be the acceptor (*Indian Banking Committee Report*, Paragraph 451). The Navigation Laws in England which were repealed in 1849 after being on the statute books for centuries reserved the coastal trade and the trade between England and the Colonies only to ships owned and manned by Britishers. U.S.A. and the Dominions have encouraged their shipping by reserving coastal trade to their nationals. In New York foreign banks cannot establish branches or take deposits, but can only open agencies and do restricted business. Illustrations of discrimination in the interests of a country can be multiplied and there is no reason why India should be denied this right subject to the principle of 'fair field and no favour' agreed to at the second session of the Round Table Conference.

Paragraph 123 embodies the principle of reciprocity according to which 'The Federal Legislature and the Provincial Legislatures will have no power to make laws subjecting any British subject domiciled in the United Kingdom (including companies, etc., incorporated or constituted by or under the laws of the United Kingdom) to any disability or discrimination in the exercise of certain specified rights, if an Indian subject of His Majesty or a company, etc., constituted by or under a Federal or Provincial Law...... would not in the exercise in the United Kingdom of the corresponding right be subject in the United Kingdom to any disability or discrimination of the same or similar character. The rights in question are the rights to enter, travel and reside in any part of British India; to hold property of any kind; to carry on any trade, business in or with the inhabitants of British India; and to appoint and employ at discretion agents and servants for any of the above purposes.' In this connection the relevant portion of the speech of Sir Purushottam Das Thakur Das on commercial discrimination made at the Federal Structure Sub-Committee Meeting on 19th November 1931, may be quoted against the principle of reciprocity. He said, 'But I want to point out that so far as trade with Great Britain is concerned, the effects of reciprocity will be of little or no value to India. What has India to gain from England reciprocating in the way which Mr. Benthal has indicated? It has to be noted that in spite of the relations between Great Britain and India during the last 100 years at least there is no Indian House or firm established here which does commercial business with India on a scale which can be computed in any responsible proportion to what is being done by British Houses......If after a hundred years the enterprise of Indians in London is at such a low ebb as this, I only wish to point that reciprocity cannot mean much to us for a long time.'

In connection with reciprocity the relevant portion of Mr. N. R. Sircar's ***Minute of Dissent*** to the Indian Banking Committee deserves quotation *in extenso*. He writes, "This (reciprocity) is a much misused term, due perhaps to a failure to recognize its true import. Reciprocity is defined in the ***Encyclopædia Britannica*** (14th Edition) as 'the condition or state of being reciprocal, *i.e.*, where there is give and take, mutual influence or correspondence between the two parties, persons or things. In a more particular sense reciprocity is a special arrangement between two nations under which the citizens of each obtain advantages or privileges in their relations with the other.' Judged by this definition there can be no real reciprocity between India and any of the other advanced nations. As in our banking organization so in all spheres of activity we are behind all the others. Reciprocity in our case, therefore, can only mean giving away to others the unrestricted right of exploitation without any compensating advantage being received by our country. Reciprocity means 'give and take', but for us there can be no 'give and take' for while we are in a position to give as freely as we like (or even do not like), we are so heavily handicapped in regard to taking care of ourselves in our own country, that we have not the power or capacity to take anything from others. Reciprocity means mutual influence but while others can and do influence us very much to our disadvantage, we are unable to influence matters in our own favour even in our own country; much less can we hope to exert influence elsewhere. Reciprocity means correspondence between the two parties, but there is absolutely no correspondence between us and the other nations who lay claim to reciprocity here. Reciprocity is a special arrangement between two nations for the granting of advantageous trade relations to each other. But it is impossible to see what advantages can accrue to any Indian bank in foreign countries in return for foreign banks being allowed uncontrolled foreign domination in India" (Pages 563, 564 of the Report). What he says with regard to banks can apply in other aspects of trade matters and by accepting the principle of reciprocity we have to give much but get nothing practically as *quid pro quo*.

This subject of reciprocity should have been settled by negotiation between the two parties and it was never intended at the 1930 session of the Conference that the present constitution should lay down the principle in unequivocal terms without even giving an opportunity to our leaders to examine how the principle would work out in practice and how the resulting hardships could be mitigated, and the principle, therefore, is certainly not in the interests of India.

Paragraph 124 authorizes the Federal or Provincial Legislatures to grant bounties or subsidies out of public funds 'to persons

or companies resident or incorporated in India' and the Legislature can impose 'conditions as to the composition of the Board of Directors or as to the facilities to be given for training the Indian subjects of His Majesty' to firms which claim bounties or subsidies. This provision includes only two of the four requisites mentioned by the *External Capital Committee, namely, rupee* capital, registration of a company, proportion of directors and of shareholders. These conditions were accepted by Lord Reading at the second session of the Conference, but the Indian representatives were not satisfied with them and Sir Purushottam Das Thakur Das supported by Mr. Jayakar, the Right Hon'ble S. S. Shastri and others had suggested that these concessions should be available to all who were willing to comply with such conditions 'as may be prescribed from time to time by the Indian Legislature provided thay were not of a racial character' and the Bombay magnate had made it clear that the reference to the recommendations of the External Capital Committee was merely illustrative and not exhaustive. (See the discussion on the Draft Fourth Report on Commercial Discrimination that took place on 25th November 1931, pages B 44-B 60 of the Report of the Federation of Indian Chambers.) This provision should, therefore, be amended in such a manner that it should be open to the Indian Legislature to prescribe conditions from time to time on the fulfilment of which a concern, Indian or British, would be entitled for concession.

Further, it should be made specifically clear that the Indian Legislature will have full powers to protect key industries and to regulate unfair competition. At present the relevant provision of the White Paper does not make it quite clear whether it will be open to the Legislature to fully protect industries and to regulate unfair competition.

Our leaders should press the abovementioned points at the Joint Select Committee Meeting in London in order that the Financial, Commercial and Railway Safeguards may suit the interests of India.

World Economic Depression—A Way Out.

By C. V. Hanumantha Rao.

Since my article on the above subject published in the May issue of this Journal was written, there has been a remarkable stir in the various countries with regard to the worsening economic situation of the world followed by an increasing recognition of the essentialness and imperativeness of common, international co-operative action in evolving order out of the prevailing chaos. The approach of the World Economic Conference has helped to keep men's minds transfixed upon this fundamental problem, the Preparatory Committee of that Conference at Geneva having recently issued an important preliminary report on certain aspects of the world economic situation. Some of the conclusions arrived at by the Preparatory Committee confirm the diagnosis of the present position contained in the above paper; and coming as they do from an expert and authoritative body like it, they ought to carry immense weight with the Conference itself, when it meets in May next. The following excerpt from the Report of the Geneva experts deserves to be widely noted as containing the fundamental basis on which measures for world economic recuperation can be devised. It runs:—'Governments should set themselves to re-establish normal interchange of commodities. Every effort should be made to secure a general agreement for the progressive relaxation and complete abrogation at the earliest possible date of the emergency measures such as prohibitions and quotas imposed on trade as the result of the crisis. It will also be necessary for the Governments to pay attention to the question of excessive tariffs and arrive at an agreement for the moderation and stabilization of tariff policies in future." The progressive decline of international trade as a result of prohibitive tariff policies can be verified from the Report published by the League of Nations which shows a decrease of one-third in world trade in the first half year of 1932 as compared with the same period in 1931. The Report adds that the United States of America was most seriously affected, the drop in her trade being 67.5 per cent as compared with Germany's 60 per cent, Great Britain's 57

per cent and France's 54 per cent. Taking all things together, therefore, there will be unanimous agreement that the Economic Conference experts have laid their finger on the most vital spot of the present situation so much so that the onus of showing that they are prepared to remove all impediments in the way of arriving at the desired consummation of world recovery has now shifted to the shoulders of the various Governments concerned.

But prior to the Economic Conference's resolutions, whatever they may be, can be made to become operative, it is obviously essential that the Conference must be enabled to deliberate in an atmosphere free from all extraneous hindrances or obstructions, which can be done only by the prior establishment of favourable conditions, the most important of which is of course the satisfactory settlement of the monetary problem and the stabilization of credit policies. The outstanding monetary problem relates to the War Debts, in regard to which the Geneva Experts' Report already quoted contains the observation that "the Preparatory Committee of the World Economic Conference attaches the greatest importance to the early resumption and successful conclusion of negotiations on the problem of inter-governmental indebtedness, which, until settled, will remain an insuperable barrier to the economic and financial reorganization." The problem of inter-governmental indebtedness is intimately associated with the problem of trade recovery, as indebtedness has normally to be liquidated in goods and services, and as until that indebtedness is either wiped off or satisfactorily settled by means of an agreement to enable repayments to be made in goods and services and in gold, paying in which should be an abnormal phenomenon and puts a premium upon the metal which is after all only a means of exchange, the re-establishment of economic prosperity will be indefinitely postponed with of course the most lamentable results. The Conference convened by the United States of America to discuss the war-debts problem with the representatives of the concerned European countries is therefore a welcome step; and the successful termination of the Conference, highly valuable and beneficial though it will be, can and ought to be considered, from what has been stated above, only be a preliminary to the more important task assigned to the World Economic Conference. The *Times* has very succinctly stated the position when it wrote on January 20, 1933, that "so long as the War Debts are maintained, they constitute in themselves an insuperable barrier to economic recovery", that "it is a matter of urgency that they should be out of the way before the World Economic Conference meets", and that "it will be a grave mistake to make a solution of the problem dependent on prior or simultaneous solution of any of the many complicated questions with which the Conference will have to deal".

While this insistence on the importance of the larger and wider question of world economic recovery is to be considered absolutely desirable, the way in which the preliminary condition of the settlement of the War Debts problem will be fulfilled will be taken by the world as an index of the attitude of the Powers in regard to that question. It will be an inescapable indication of the world opinion in favour of a favourable solution of the world economic problem, if the U.S.A. makes a generous offer to meet the debtor countries half way and consents to eradicate War Debts altogether even as at the Lausanne Conference the Reparations were wiped off. This is the solution urged on the one hand by Italy and on the other by Great Britain, and if America does not respond or react to this opinion, she will lay herself open to the charge of deliberately obstructing the progress of the plans for international economic co-operation, in so far as by her intransigence she will be forcing the European nations to repulse the Lausanne settlement establishing a clean slate in respect of Reparations.

It has also to be widely recognized that everything else in the matter of economic recovery and world peaceful progress depends upon the revival of trade which in its turn is mainly dependent upon a settlement of the War Debts Problem. In addition there are two other requirements also which too are calculated to contribute to the enhancement of the sum-total of human happiness in this economically depressed world, to wit, the raising of the wholesale price levels of commodities and the reduction of unemployment figures. The enormity of the phenomenon of unemployment and its repercussions are summarized in the Report circulated to various Governments by the International Labour Office, which, while advocating reduction of hours

as a means of alleviating unemployment, opines that the number of unemployed in the world is at least 30 millions. "The maintence of these masses of unemployed imposes enormous burdens on national treasuries while the loss in wages amounts to considerably over 4000 millions pounds gold per annum." The existence of these unemployed besides being a drain on the resources of Governments on the one hand are on the other a prime factor in keeping unredressed the disequilibrium between production and consumption and thus emphasizing the phenomenon of over-production, for, as the I.L.O. Report observes, "the unemployed can earn nothing and consequently can spend nothing". Thus unemployment which is a direct consequence of the economic depression has now become one of the main causes of its extension.

Comment is needless; for every one must be impressed with the magnitude of the situation as revealed by the I.L.O. statistics, which indicate the central defect of the *present economic system—a world immersed in abject poverty in the midst of* abundance. It indicates also the one primary remedy for the situation, *i.e.*, the necessity for improving world consumption, which can be only by a revolutionizing of the distributive processes on the lines advocated by the International Labour Convention reducing the hours of work and provision of unemployment for a larger number of workers. The need is to make purchasing power available to the vast masses of the unemployed, whose existence could continue to have been tolerated were *it not that they constitute a social and economic* factor which dominates the situation. The reduction of unemployment which used to be considered a question of social justice in the last century has now become transformed into a vital principle of economic reform; what was previously merely a local phenomenon of local significance has now become an international factor convulsing the very foundations of the system.

The second problem relates to the measures to be undertaken for raising the price levels of commodities, a problem which is *closely related to monetary policy. Financial reform based upon the reconstruction* of monetary systems must, it has been postulated, be introduced simultaneously with economic and fiscal reform. As the Report of the Preparatory Committee of the World Economic Conference already referred to puts it, "any action in the direction of a return to freedom of trade has an important bearing upon the stabilization of currencies, as it is impossible to maintain an international monetary system except on the basis of an international economic system". One of the fundamental principles of financial reform is embodied in the establishment of an international standard of currency which would assist the recovery of prices and their maintenance in a position of relative stability over long periods. Isolated and individualistic national financial policies tend so much towards fluctuations in the price levels of important countries, that nations following a particular financial policy, *e.g.*, of devaluating their national currencies as the British did with their pound sterling and the Japanese with their yen are placed in an advantageous position at the expense of others. While, therefore, the supreme importance of securing a substantial rise in the level of wholesale prices of primary commodities and the stabilization of price levels should be the guiding motive of every Government, *it must also* be remembered that the reform will not be adequately effective unless international effort necessarily follows in the wake of national effort. The Geneva Experts' Report referring to the problem of monetary reform says that "in the field of monetary and credit policy, the objective must be the restoration of an effective international standard to which the countries who have abandoned the gold standard can adhere"; that "steps should be taken that after the restoration of the gold standard, there would not be a fresh breakdown"; and that "measures might be taken with the co-operation of the Central Banks on the lines of the recommendations of the Gold Delegation of the League to ensure greater stability of price levels". The most beneficial direction in which a successfully monetary system can be evolved is the restoration of the gold standard on an international basis and its management by the Central Banks of the principal countries or a co-operative and uniform standard subject to the supervision of an Internationa Banking Institution the nucleus of which i to be found in the Basle Bank of Interna tional Settlements. It is but fair that befor countries like Great Britain return to th gold standard they should insist on prope guarantees about the way in which it woul

be successfully worked and unless, as Mr. Neville Chamberlain, Chancellor of the Exchequer, opined, they are sure "that there will be international conditions under which it will be worked". The most important condition precedent for such working is of course the remedying of the existing phenomenon of the mal-distribution of the world's gold resources, which by the way is one of the reasons for the persistence of the depression, and secondly, the establishment of the closest co-operation between the principal Central Banks of the world on the lines indicated above.

From what has been said above we are once again irresistibly driven to the conclusion that in the face of the stupendousness of the task of economic reconstruction, it is not one method but a combination of methods, it is not national action but international co-operation that can be productive of lasting and permanent benefit. This fact is increasingly being borne in upon as from all sides and to ignore it would be to postpone the day of world recuperation from an agonizing atmosphere and the saving of human beings from a catastrophe more comprehensive than any that occurred before.

Financial Reorganization—IV.

By Hardit Singh Dhillon, M.A., Ph.D.

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(2) *Commercial Banks:* At present the activities of the Imperial Bank of India are limited to the financing of internal trade and foreign trade is financed mainly by the Exchange Banks. Most of the Exchange Banks are owned by foreigners, a large number of them being merely agencies of foreign banks. They tap India's resources by offering attractive rates of interest. The funds realized from such deposits are used mostly in financing India's foreign trade, although a certain portion of them is used in advancing loans either within India or outside of it.* No such thing should be tolerated under the newly established Indian banking system. The existing exchange banks should be either indianized or substituted with Indian Institutions. Special legislation for the regulation of commercial banks should be enacted so that all of them may have a uniform character.

The special features of this legislation should be as follows: A minimum amount of capital stock for the operation of a bank should be stipulated, this amount rising with the increased size of the town or city in which the bank is to be located. At least half of the capital should be required to be paid in before a bank is allowed to open its doors. The shareholders should be held responsible for at least double the amount of their shares. The banks should be allowed to receive deposits and make loans. A maximum limitation on loans advanced to a single individual or firm should be imposed in order to bring about a a proper distribution of risk. A certain percentage of their liabilities should be required to be deposited in cash with the Central Reserve Bank of India:† this should be considered as a reserve which would be utilized in cases of extreme urgency. Any depletion of this reserve should be subjected to a federal tax and should be promptly made up. All banks should be required to publish a monthly report of their accounts for public notice and special examinations to evaluate their solvency should be conducted by a body appointed by the Government for this purpose.

Foreign banks established in India for commercial purposes should be subjected to the same regulations as the domestic banks. In addition, they may be required to have a certain percentage of Indians in all ranks of employment. A certain percentage of their profits may also be required to be paid to the national treasury as a royalty for the privilege of doing business in India.

* Wadia and Joshi, *Money and Money Market in India*, p. 338.

† A distinction between the reserves behind demand- and time-deposits may be made, as it is the case in the United States where all banks are required to keep with the Federal Reserve Bank a 3 per cent reserve behind their time-deposits, while in the case of demand-deposits the country banks, reserve city banks and central reserve city banks are required to keep with the Federal Reserve Bank a reserve of 7 per cent, 10 per cent and 13 per cent resspectively. (Holdsworth, J. T., *Money and Banking*, p. 435.)

Special care should be taken with respect to the development of a system of acceptances in order to link up the different sections of the business community. Commercial banks should be allowed to discount drafts of various kinds arising out of genuine *commercial transactions. In the process* of development, the acceptance houses and bill brokers will naturally arise and a *perfect discount market* will thus be established. The indigenous bankers, *i.e.*, shroffs and mahajans, will play a prominent part *in the development of discount market.* If a discounting bank needs funds prior to the maturity of drafts, the Central Reserve Bank should be ready to accommodate it by rediscounting such drafts.

Efforts should also be made to popularize the check currency. Commercial banks can render a valuable service in this respect. They should print the checks in native language and should encourage the public to open check accounts by allowing some *interest beyond a certain minimum.*

Commercial banks *established on* such principles, and the realization of a sound discount market should be able to finance the internal and external trade of India in a quite satisfactory manner.*

(3) *Industrial Banks:* The lack of facilities for industrial finance in India, and a keen necessity thereof, cannot be too often be repeated. In a plan of financial reconstruction the establishment of banks which *would supply both short- and long-time industrial credit should take a paramount* place of importance. An industrial bank should be established in every province with a capital of at least 5 crores of rupees subscribed by the national Government.† Each bank should be authorized to open *branches at various industrial centres* within the province. Two-thirds of the directorate of such banks should be appointed by the governor of the respective province with the approval of the provincial legislature and one-third by the national executive with the *consent* of the *national* legislature. The banks should be allowed to advance short-term loans on the security of raw materials and unfinished or finished industrial products and *long-term loans on the security of machinery*, buildings, etc.—such loans being never more than half the assessed value of the security provided. When a bank has extended loans to the amount of *ten lakhs of rupees, it should be allowed to raise funds by issuing debentures to an* equal amount, *i.e.*, ten lakhs. repeating this process till the outstanding debentures of the bank are not more than ten times of its paid-up capital.

The interest rate which bank should *charge the industrialists should not, in any* case, be 2 per cent more than the rate which it had to pay on the last issue of its debentures, *i.e.*, it may charge, at the most, 8 per cent interest if it had to pay 6 per cent on its previous issue of debentures. *After deducting the necessary expenses* for the operation of bank one-half of the net income should go to the national treasury, while the other half should be utilized in creating a reserve fund till it reaches the amount of paid-up *capital of the bank. After this the division of the net income between the* national treasury and reserve fund should be three-fourths and one-fourths respectively. These banks should also be required to publish monthly reports of their accounts and should be subjected to the Government examinations.

(4) *Agricultural Banks:* In a country where no less than 73 per cent of the people derive their subsistence directly from agriculture, *the question of affording every possible facility for the development of the* greatest industry of the country needs no special emphasis. It is ungratifying to note, however, that the Indian agriculturists are left to help themselves, the Government taking no active part in relieving *them of their financial difficulties.* The result is that the peasants are forced to borrow money from the local money-lenders at exorbitant rates and are subjected to live a life of ever-lasting indebtedness. A movement for co-operative *societies in the rural sections of the country has set in* since the early years of the present century, but the disinterestedness of the State has worked as a handicap to its development. "The policy of Government has been to disclaim all financial responsibility and to make no definite promises of monetary-support, in order that the movement shall be genuinely co-operatiive and self-supporting."‡ The movement has remained

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*If some difficulty is experienced in financing foreign trade, it might be feasible to establish a bank, after the pattern of the Yokohama Specie Bank, which would devote itself exclusively to the financing of foreign trade.

† The national Government can raise this capital by floating Government bonds and tendering them to the public.

‡Shirras, G. F., *Indian Finance and Banking*, p. 390.

"genuinely co-operative and self-supporting", to be sure, but has failed to assume the magnitude which it could have easily done with the assistance of the Government.

It will be a grave injustice to the large bulk of India's population if the creation of proper facilities for agricultural finance is delayed any longer. In a scheme for financial reorganization the establishment of agricultural credit institutions should occupy the same place of importance as the industrial banks. Valuable lessons, in this field, can be learned from the experiences of agricultural finance in the United States, Germany, France, Italy, Austria and Japan. The following suggestions, *which are based upon a study of these systems*, may prove to be useful in framing the system of agricultural finance for India.

It is essential that the agricultural credit system should be nation-wide. A National Land Bank, consequently, should be established in every province with a capital stock of not less than one crore of rupees. The capital should be thrown open in convenient shares to be subscribed by the public, and the Government should make up the deficiency if the whole capital is not subscribed. Each national land bank should have a reasonable number of branches within the province.

The existing co-operative societies should be brought in line with the national land banks. This can be accomplished by empowering the national land banks to make loans to farmers through the co-operative societies. New co-operative societies will have to be created in rural districts where the movement has not yet penetrated. It would be wise, therefore, to enact a legislation in order to make the organization of co-operative societies uniform throughout the country. Almost every good size village should have a co-operative society, which should handle the business of administering *the loans to farms*. Being in close and direct touch with the conditions of farmers, the officers of co-operative societies will be in a better position to evaluate the credit of borrowers than would be the case with the directors of the national land banks. Loans should be advanced on the security of first mortgages and should not *exceed half the value of the property in* question. There should also be a limit beyond which a single loan should not exceed. As is the case in the United States, the borrower should be required to purchase a share of stock of the co-operative society from which the loan is secured, this share being equal to at least 5 per cent of his loan. The societies, in turn, should be required to subscribe for stock in the national land bank to an amount equal to 5 per cent of the sum they need for their members. When the subscription of co-operative societies to the capital stock of national land bank equals its paid-up capital, one-half of the subsequent subscriptions should be used to retire the stocks originally subscribed. Thus ultimately the national land banks would be owned by the borrowers through their respective societies.

But how would the national land banks *be able to provide huge funds for financing* agricultural loans? Although the capital of these banks would suffice to a certain extent, they should be allowed to issue and sell bonds secured by first mortgages on farm lands. The amount of such bonds, however, should be restricted to 20 times the paid-up capital of the bank. The rate of interest that a bank should be allowed to charge its customers should also be regulated, being in close approximity to the rate paid on the last issue of its bonds. The loans should be made to run for a considerable long time, say 30 to 40 years, and be permitted to be repaid on amortization plan in annual or semi-annual instalments. A certain percentage of the net income should be utilized in the creation of a reserve fund, and the rest of it should be shared by the Government and the shareholders on fifty-fifty basis.

The co-operative societies should not be mere *intermediate bodies between* the farmers and the national land banks, as is the case with the farm loan associations in the United States, but they should also be *allowed to receive deposits in order to pro*mote thrift among the rural people. The funds realized from deposits should be used in advancing short-term loans, while long-term loans should be financed by funds secured from the national land banks. They should be allowed to charge their clients a rate one per cent more than they have to pay the national land bank. Their loans should not be limited to the members only but should be extended to all who can furnish sound security. They should also be empowered to endorse papers arising out of genuine agricultural transactions,* such

*Here the co-operative societies will discharge the function of acceptance houses, for their signatures will enhance the credit of the papers endorsed.

papers being declared eligible for discount with the commercial banks. The co-operative societies, in short, should render the village people all services performed by a commercial bank to the commercial society.

The administration of national land banks and co-operative societies should be entrusted to the care of expert bodies. There should be a National Agricultural Board, half of whose members should be elected by the representatives of co-operative societies and others appointed by the national executive with the approval of the national legislature. This Board should exercise supervisory power over the entire agricultural credit system. The expenses involved in the maintenance of the National Board should be realized from the earnings of the national land banks and those of co-operative societies.

3. Improvements in the Indian Currency System.

No scheme for financial reorganization can be completed, unless necessary improvements in the Indian currency system are instituted. Under the present system, the Indian rupee is attached to the British sterling in order that India's obligations to foreign countries may be paid at fixed exchange rate. Gold Standard Reserve is created for the maintenance of exchange, a part of this reserve being located in London and the rest of it in India. Any extraordinary deviation of the rupee exchange from the stipulated rate is corrected by the sale of Council Bills (bills drawn by the Secretary of State on the Indian treasury) in London or Reverse Council Bills (bills drawn by the Government of Ineia on the Secretary of State) in India. The main purpose of the currency policy of the Government of India is to stabilize the rupee exchange for external purposes.

The experience shows that the Indian currency system and the policy of the Government of India in currency matters have proved destructive to the best interests of the country. Since 1914 the growing industries have demanded an ever-increasing amount of currency, but they have been starved by the reluctance of the Government to add more currency lest the exchange falls too low. On the contrary, the Government has made every effort to stabilize the exchange rate at the possible highest point without any consideration for the development of Indian industries and the welfare of Indian masses. This policy of the Government has resulted in heavy losses to the country at times,* and has retarded the development of domestic industries by enabling the importation of foreign manufactured goods at low prices. The high exchange rate policy has also proved destructive to the agricultural interests, because they are thereby forced to accept less amount of rupees than would have been the case had the exchange rate been lower.†

The greatest defect in the Indian currency system, however, is that it lacks the most essential quality of a sound currency system—it is not elastic.‡ The Government of India can only increase the volume of curreucy but has no means to contract it. "Thus in a country of seasonal demands for money, there is no automatic provision for adjusting the volume of currency to trade requirements."§

All such defects in the Indian currency system are due to the Government's insistence on maintaining the managed type of currency, so that it may be used in the commercial and industrial interests of Great Britain. If Indian industries are to be encouraged, this defective monetary system will have to be dispensed with for ever, and a sound new system will have to be instituted instead. The only sound monetary system for India, as for all other

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*Prior to the World War the rupee exchange rate was fixed at 1s. 4d. But because of the rise in silver price due to war-time influences, the Government of India fixed the rupee exchange rate at 2s. gold in 1920 and fruitlessly tried to maintain it at this point when, immediately after the enactment of this act, the price of silver assumed a downward course. India had to pay no less than Rs. 400 million as a cost of this experiment within the short interval of 9 months. In 1927 the rupee exchange was fixed at 1s. 6d., in spite of the vigorous opposition of public.

†In 1926 exports of jute to England amounted to 647,000 tons at Rs. 450 a ton. But the new exchange rate, i.e., 1s. 6d., which was established in March 1927, brought down the price of jute to Rs. 400 a ton, thus inflicting a loss of $2,000,000 to the Inidan jute exporters for that single year. Because of the American competition on cotton the Indian cotton growers had to reduce the price at least four cents a pound, and this also involved a loss of millions of rupees. (The *Commercial and Financial Chronicle*, March 26, 1927, p. 1756.)

‡The Indian currency is internally *absolutely* inelastic. There is no method whatever by which the volume of currency be temporarily expanded by some credit device within the country to meet the regularly recurrent seasonal demands of trade. (Keynes, *Indian Curr ncy*, p. 57.)

§Wadia and Joshi, *op. cit.*, p. 267.

countries of the world, is an effective gold standard. The Indian system should be entirely independent of British currency system, there being no connecting link between the rupee and the sterling. The rupee exchange would then be regulated *according to the trade conditions of India and*, with a sound banking system in operation, the volume of currency would automatically be adjusted to the business needs of the country.

There should be no question about India's being able to supply sufficient stock of gold in order to lay the foundation of a full-fledged gold standard. The existing resources at the command of the Government of India should be adequate to serve as a basis for the superstructure of an effective gold standard.* An effective gold standard, it should be emphasized, does not mean that gold coins should actually be put in circulation; all it needs is an adequate provision for the ultimate redemption of all forms of currency, *i.e.*, bank notes, rupee, etc., in gold. The practical gold standard, therefore, is consistent with all conceivable economies in the use of gold.

If the needed reforms in Indian banking and currency systems, such as herein advocated, are realized, a new era pregnant with abundant possibilities for her all-round development will dawn upon India. The effective gold standard will remedy all evils of the present monetary system: it will stabilize exchange without the rigid control of the volume of currency, as is the case at present; it will stabilize peice level without starving industries for lack of currency: it will free the Indian currency system from the Government manipulation in the mercantile and industrial interests of Great Britain: it will release the huge funds now kept in London in the form of Gold Standard and Paper Currency Reserves so that they will be available for the industrial development of the country. The reform in banking system will also remedy the evils attended with the present system. Industrial and agricultural banks will undoubtedly prove a great force in the development of domestic industries and agriculture, while the commercial banks will take care of the commercial needs of the country. Over all these institutions there will be a Central Reserve Bank, working as a uniting force in the entire banking structure of India. The monopoly of note-issue, exercised by this institution with due safegnards, will provide an elastic currency and the exercise of its other prerogatives will enable it to have a controlling influence upon the money market of India and upon the inward and outward flow of gold. There will thus result currency and banking systems in India which will complement each other and will stimulate the all-round development of the country at a rapid pace.

*This is made abundantly clear by progressors Wadia and Joshi, who believe that the funds now kept in the form of Gold Standard and Paper Currency Reserves, coupled with the huge silver resources, should be more than sufficient for the establishment of an effective gold standard in India. (*Money and Money Market in India*, pp. 276-78.)

Tropical Life writes:—We see that India has started to advertise in the leading London papers for capital to run her sugar industry on up-to-date lines. The man-in-the-street, of course, knows none of the names mentioned so far as directors, agricultural experts, etc., no English or non-Indian names being published. So John Bull just shrugs his shoulders and turns to something else in the paper that he understands, but whilst doing so he mutters audibly, "I thought the mills were coming from the Continent and not from Glasgow. If they want our money, why not order the machinery from us?" Such a view is correct, but we believe so far that whilst this country has not had all the orders that she could reasonably expect if asked for capital, our engineers are considered to have been successful in securing a very air share, and that share, everyone must be glad to know, has heen keeping Glasgow unusually busy.

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(*Continued from page* 478.)

Bakers' Review, the *Tinsmiths' Journal*, the *Iron Monger*, the *Laundry Record*, etc. *ad hoc*. There is plenty of room for several trade papers in India. The sugar, jute, woollen, hosiery, tea and other industries ought to have their own representative organs. The most important thing that matters is the location of the offices of the paper in the seats of industry and commerce. Otherwise advertisements, the very breath of a journal, will not swell the columns. Many Indian trade reviews started in wrong places have languished for this initial but easily remediable fault, the overlooking of which is fatal unless the paper is generously and continuously subsidised from one's own pocket.

Trade and Technical Journalism in India.

By G. V. Rajaratnam.

India, a vast country of numerous industries, has several leading newspapers which daily cater to their thousands of readers with news and notes of the moment. But there are precious few in periodical journalism of the commercial kind. It is really very strange that with many growing industries and key trades, this country like American and European nations has not the requisite number of journals representing them. The need for such monthlies and weeklies are patent to everyone. But among the existing ones the following deserve special mention.

The city of Calcutta with its large population of European business men leads India by a wide margin in weekly trade papers. The *Capital*, founded forty-five years ago, is in the vanguard of commercial journals in this country. Under the brilliant editorship of the late Mr. "Pat" Lovett, the inimitable Irishman, it forged ahead to a place of enduring prominence. As "Ditcher" of beloved memory, "Pat" wrote the most engaging paragraphs on topics of current interest, which created permanent fame both for the paper and its immortal editor. Mr. R. W. Brock, who followed Mr. Lovett, did not remain long on the *gadi* as he preferred to go back to his old haunts in the Fleet Street. The *Commerce*, ably edited by Mr. Barrie Brown, is a close competitor of the *Capital* for the premier position. Both these papers are European owned and edited. Amongst Indian financial weeklies in the same city, the *Indian Finance* and the *Commercial Gazette* are comparatively well known in and out of Calcutta. The former came into existence with a meteoric flash only six years ago and great tribute must be paid to its two Madrassi editors who by their sound common sense fostered the paper to success in almost alien soil. It is yet another typical instance of the Madrassis' special knack for any kind of journalism, which is acknowledged everywhere in this country. The *Commercial Gazette*, edited by a Bengalee, is well placed in its position as a cleverly managed trade paper.

Among other technical periodicals in Bengal, the *Indian and Eastern Engineer* is well worth mentioning. It carries a very large volume of advertising matter and is in charge of Mr. Roy Vickers. The proprietors of this paper have also successfully launched as worthy supplements, the *Indian and Eastern Railways* and the *Indian and Eastern Motors*.

While Calcutta can boast of four established financial weeklies, Bombay, the *urbs prima in Indis* can point to none! The *Cotton and Finance*, edited by Mr. Chunilal Mehta, was formerly a house organ, but has very recently been changed into the weekly *Financial News*. The cotton textile industry, very highly concentrated in Bombay, has for its representative the *Indian Textile Journal*, established forty-two years ago. This monthly trade paper, on whose staff the writer works, has been a signal success ever since its inception by the veteran journalist and mill-owner Mr. Sorabji M. Ratnagur, who has been continuously editing it from the first number. His unbroken record of editorship is unique in Indian trade journalism. Incidentally it must be mentioned that this *Journal* was the first paper in India and the East to introduce illustration blocks. The *Indian Industries and Power* was one of the foremost engineering trade papers in Western India for a number of years. When its European editor left for England, it was bought over by the proprietors of the *Indian Textile Journal* and was later merged in the latter. The same thing happened to the *Indian Motor News*.

Strange to say, Madras is still without a trade, technical or financial paper of standing. The *Mysore Economic Journal*, issued from Bangalore City, almost ploughs a lonely furrow as the only private proprietary economic paper of recognized standing in India. Now nineteen years old, it has been edited with distinction by Rao Saheb C. Hayavadana Rao, the South Indian Economist and Historian. In speaking of this paper as the only one of its kind, I have necessarily to omit mention of other economic publications issued by several Indian Universities as not coming within the orbit of real and professional journalism.

Except the few papers enumerated above, there are practically no other periodicals worthy of mention in a huge country like India. In England every trade and industry has its own paper. Even obscure trades have their own organs to boast of like, the

(*Continued on page* 477.)

Agricultural Indebtedness in India.

By B. M. Lakshminarayana Moorty, M.A.

The problem of agrarian indebtedness in India is one of the oldest problems that have troubled the administrators as well as the economists. For generations past it has received the continuous and anxious consideration of the Government of India. As early as 1875 the problem had become acute and had drawn public attention. Its gravity is emphasized by various Commissions that were appointed by the Government from time to time to enquire into the conditions, either of agriculture or of famines that were frequently occurring in India. The economists of the last quarter of the 19th century were seen busily engaged themselves in endeavouring to show that the normal condition of the bulk of the ryot is one of indebtedness. Sir Edward Maclagan observed in 1911, "It has long been recognized that indebtedness is no new thing in India. The writings of Munro, Elphinstone and others make it clear that there was much debt even at the beginning of our rule. But it is also acknowledged that the indebtedness has risen considerably during our rule and more especially during the last half century."

The problem of rural indebtedness receives its importance by the fact of the presence of a huge volume of unproductive debt and its ruinous consequences in inhibiting the progress of rural communities. The failure of the various measures adopted by the Government in various provinces, from time to time, or relieving the peasant from the burden of debt, has given an added importance to the subject. The presence of the huge volume of indebtedness which is mostly unproductive is responsible to a considerable extent to the backwardness of Indian agriculture. The principles of rural economy, no doubt, teach us that all agricultural couutries should borrow and the agricultural countries of Europe and America do borrow. But the agricultural indebtedness in India becomes very conspicuous in its voluminous nature when compared with the other agricultural countries of the Globe.

There are no comprehensive statistics or reliable data to give a sound estmatie as to the exact extent of indebtedness. In this connection, the Royal Commission on Agriculture, appointed in 1926, has rightly suggested that periodical reports on money-lending should be prepared and issued by the Income-tax Department so as to throw light upon the subject. Yet the available information in the matter has been considered to be more than enough to prove the aggravated distress and destitution of the Indian peasant. The Deccan Riots Commission of 1875 came to the conclusion that $\frac{1}{3}$ of the occupants of the Government land were embarressed with debts. The Famine Commission of 1880 inferred from evidence collected from all parts of India that $\frac{1}{3}$ of the land-holding class are deeply in debt and that at least an equal proportion are in debt though not beyond the power of recovering themselves. The Famine Commission of 1901 estimates that a fourth of the Bombay cultivators had lost possession of their lands on account of their indebtedness. Mr. M. L. Darling, I.C.S., in his book on "The Punjab Peasant in Prosperity and Debt" published in 1925 points out that the rural debt of the Punjab, *viz.*, 90 crores, is 19 times the land revenue of the Province. The Punjab Banking Enquiry Committee estimates that the total agricultural debt has increased from Rs. 90 crores in 1921 to Rs. 135 crores in 1929. The Central Banking Committee basing its estimate on the figures of various Provinces say that the total rural indebtedness in India comes up to Rs. 900 crores. The fall of prices of agricultural products by 50 per cent due to the present trade depression has no doubt doubled this sum. An inquiry made into the mortgage debt in four selected Taluks of Mysore shows not only that the largest number of borrowers is found among ryots but also that the average amount borrowed per ryot is Rs. 198-10-0 as against Rs. 317-2-0 the average amount for all the borrowers. It is to be remembered that greater part of this debt is unproductive. According to Mr. Darling less than 5 per cent of the debt in the Punjab is due to land improvement. In Mysore land improvement is responsible only for 2 per cent of the borrowed money. It is the unproductive nature of the debt which increases automatically, that has dragged down the ryot into the depths of poverty and destitution. The range of the following paragraphs, therefore, is to examine the causes of this evil that has been characterized as one of the chief factors that have contributed to the backwardness of Indian Agriculture.

Before entering into the consideration of

the causes of the evil, it is necessary to mention that the problem of rural indebtedness in India centres round two classes of people, *viz.*, the cultivator on the one hand, and the money-lender or the trader or the sowcar on the other. These two classes of people living side by side often in the same village, are inter-dependent on one another. One is the borrower and the other is a lender. The peasant borrows because he needs funds partly for agricultural purposes and mostly for his personal expenditure. The lender lends because he has an eye on the profits, or often the probability of a desire to make a landed property may prompt him to offer loans. The relation between the two, though inter-dependent, is not sound and balanced. The adverse economic circumstances in which the cultivator lives have entirely left him in the hands of the money-lender, who, with his stabilized position, never fails to dictate his own terms to the cultivator. It is this loss of equilibrium between the two classes that gave rise to the various enactments passed by the Governments of various provinces. A clear understanding of the problem, therefore, necessitates scrutiny of the economic condition of the two classes.

What is the position of the Indian peasant to-day that has made him a victim of the burden of a crushing debt? Why is he careless of his ever-increasing debts? Is it necessary that he should always borrow and has he not got any other course except borrowing? These are the certain questions that come in the way when one begins to concentrate his mind in investigating the causes of the evil.

The Indian cultivator is a poor, illiterate, conservative, and superstitious labourer who scratches a small plot of ill-manured earth from dawn to sunset, with the same kind of implements that have descended down to him from his ancestors, in the same methods his forefathers adopted. He lives in most insanitary conditions and often a victim of malaria and other diseases which put him out of action at a time when his labour is mostly needed, and which generally lowers his efficiency. Excessive pressure of the population on the land resulting in an excessive "sub-division and fragmentation" has forced him to share the evils of the latter which is more congenial to the upkeep of a healthy agricultural production. In most cases the uneconomic unit of land held by him is so small that it hardly prevents him from falling into the hands of the money-lender. Above all, Recardo said that the tenant cultivates the land because it pays him. But in India, in most cases, it does not pay the tenant. He is bound to cultivate his land whether it pays him or not, for he has no other alternative occupation to which he can turn. For the competition of cheap foreign goods has driven him out of his subsidiary occupations, which would have otherwise supplemented to his annual income from land, and has made him practically dependent on agriculture. Again, agriculture is an industry where capital is locked up in land and stock yielding an income only once a year in harvest times and during the rest of the period the cultivator feels the want of funds to which he has no other resources except to borrow, and much more so when there is a failure of harvest which depends on monsoons. By nature, the Indian cultivator is 'improvident and extravagant'. He is as irregular in repayments of his debts as he is regular in borrowing. Moreover, he regards the hereditary debts as debts of honour. "Being born in debt, he lives in debt and dies in debt." His excessive love of litigation, the very characteristic of the ryot, involves him in disastrous financial troubles. On the other hand, the peacefnl administration which he enjoys has increased the value of his land as well as his capacity to borrow. Thus, it is seen that not even a single circumstance which is able to give him a better footing to live happily, is in his favour. Almost all factors, considered above, are partly due to his dependence on agriculture and partly due to causes outside the demands of agriculture, such as poverty, ignorance, foreign competition, famine, and epidemic diseases. Under such disastrous and destructive circumstances, though one will not be surprised to find him crushed under the burden of huge debts, yet one cannot help wondering as to how he has existed all these centuries in spite of so much of hardships.

Now to consider the other side of the problem. Money-lending has always existed in India as in other countries. The position he enjoys in rural India is such that the peasant can neither rely upon him for safety nor can he dispense with his services. Good and evil follows him hand in hand. He is the only person who can suit to the demands of the cultivator, and is able to adapt himself to the circumstances and needs of the peasant. He serves the village in a variety of ways other than as a money-lender. As a grain dealer he is very useful in times of famine. He has been rightly called an only "oasis of

thrift in the desert of improvidence and extravagance'. In the absence of suitable rural credit facilities his services are a matter of great importance to the cultivator. He lends *money primarily for his own profits*. Not infrequently he is guided by the idea of making a landed property. The extent to which he lends depends partly upon the security offered by the borrower and partly upon the cash lying idle in his hands. His presence in society has been censured. The exorbitant rates of interest, which ranges from 15 to 37½ per cent and in some cases 70 to 80 per cent, he usually charges, and the assumption of the ownership of the land in due course through the decrees passed by courts, are the features that are responsible *for his unpopularity. The strong position* he enjoys in rural areas is well observed by the Royal Commission on Agriculture in the following words:—"The maintenance of law and order, the defining and recording of rights in land, the continuous reduction in the proportion borne by the land revenue demand to the produce, and the growth of transferable rights have all contributed to enhance the credit of the land-holder" while "the rapid development of commerce and trade, the introduction of the establishment of permanent civil courts, *have stabilized the position of the money-*lender" to dictate his own terms.

CAUSES OF INDEBTEDNESS.

While discussing the economic condition of the Indian ryot, it was shown that the causes of his perpetual indebtedness were partly due to his dependence upon agriculture and partly due to causes outside agriculture, and there is no necessity to repeat them here once again. Further, there is hardly any need to emphasize the mighty mischief done by the presence of the "excessive sub-division and fragmentation" of holdings, to Indian agriculture and the part it plays in bringing the catastrophe of indebtedness on the ryot. Its harmful character is too familiar to the student of Indian Economics, that it requires no introduction. In this connection it can be said that every step taken to mitigate the evil is sure to contribute to the welfare of the ryot in relieving him from the burden of crushing debt. An attempt will be made *here to dilate upon certain causes*, some of which are subjected to much controversy among the writers on the subject.

Much discussion is seen on the land revenue policy of the Government. It was the chief aim of Mr. Romesh Chandra Dutt to show the Government often, that the heaviness of the land-tax together with the rigidity in its collection was one of the causes of rural indebtedness. The Famine Commission of 1901 repudiated the opinion on the fact that "landowners who have no land revenue, or only a light quit rent to pay are often also deeply embarrassed with debts. If a man lends all his income and borrows to pay his taxes, it can hardly be said that the debt is due to land revenue, which bears only a small proportion to income." In their enthusiasm to repudiate the argument, the Commission have failed to proceed still further and consider the degree of proportion between the land tax and the income. It is admitted by *all that the average income in India is small* and especially so with the agricultural classes. Besides, the Government of India identifies the land-tax with the Recardian theory. Recardo says that a cultivator tills his land because it pays him. In India it does not pay him. Again, according to Recardian theory, rent is the last charge on the produce of the soil and it is paid, if the tenant can cultivate it with sufficient profit to maintain his standard of life. *The cultivator in India* hardly makes profits which will enable him to pay taxes, the rate of which has increased *more or less year after year*. The land-tax in India is not an unearned income of the soil; it is the appropriation of the bare minimum of the subsistence left to the cultivator. In considering the poverty of the cultivator, the Agricultural Commission say, "to a very great extent the cultivator in India labours not for profits, nor for a net return, but for subsistence. The crowding of the people on land, the lack of alternative means of securing a living, *the difficulty of finding* an avenue of escape ...... force the cultivator to grow food wherever he can and on whatever terms he can." Again the small holdings cannot afford to bear the burden of land revenue. While he pays the tax on the one hand, he takes to borrowing on the other. Thus, there is a certain amount of justification in saying that the Land Revenue policy plays an important part in contributing to the indebtedness of the ryot who cultivates for subsistence and not for profits.

Another feature to which greater importance is *attached, as a cause for the chronic debt of* the cultivator, is the expenditure on social ceremonies, especially marriages. The Deccan Commission is of opinion that expenditure on marriages is a primary cause of indebtedness.

But expenditure on marriages may be extravagant when compared with the ryot's means, but it should never be forgotten that the sum spent on such occasions is not larger when his position in society is concerned. There is, no doubt, justification in characterizing the ryot as "extravagant, improvident and ignorant". The presence of an age-long debt has made him careless of the past, desperate of the present and negligent of the future. To root out this weakness of the peasant the possible remedies suggested are the impartment of education, encouragement of thrift and the frequent use of Post Office Savings Bank.

Another serious obstacle to the clearance of indebtedness is the existence of a large volume of inherited debt. The heir thinks it an honour to repay the debts of his father. The common practice adopted by money-lenders who have no remedy by law, is to approach the son and putting the matter on the grounds of legal obligation or religious duty, induce him to execute a promissory note. The debt thus passes on from generation to generation. In most cases the Indian cultivator is ignorant of law, according to which the debts of deceased person only passes to his heirs when he succeeds at the death of the debtor to property, and that they pass only to the extent of such property. Where no assets pass, no debts are inherited. To overcome this difficulty, knowledge of the law should be imparted to the ryot. The Royal Commission in this connection recommends that an enactment of simple Rural Insolvency Act to rural conditions should be considered.

Another important cause that has indirectly aggravated the problem of indebtedness is the drain of potential capital from India. Dadabhai Naoroji, Sir Wm. Wedderburn, William Digby and Romesh Chandra Dutt have emphasized, not infrequently, the harms of a "top-heavy expenditure of the administrative machinery, the ravenous ruinous revenue policy of the Government and the enormous drain of wealth from India year after year" depriving the people of the surplus capital which could be better utilized to the improvement of industry and agriculture of the country. "The outgoing wealth drawn off to pay the foreign pensioners and to satisfy the greed of the shareholders, has deprived the ryot the comforts of life and the chance of increasing the mass of production."

THE EFFECTS OF RURAL INDEBTEDNESS.

The effects of crushing burden of debt on the cultivator are well pointed out by the Provincial Banking Enquiry of Madras appointed by the Government. Much of the evil is seen in the silence of the money-lender regarding the repayment of the loans. Though his interest may be high he does not press the debtor to clear his debts and on this is based the statement of a witness before the Committee, *viz.*, "the first step towards the acquisition of a piece of land is to lend money to the owner". The ryot is eager to borrow but not so eager to pay and the money-lender does not press the matter so that the loan is allowed to swell and multiply. Consequently, the ryot in many cases lives largely on what he borrows, while his crops go to the creditor who devaluates them and debits only towards the swelling rate of compound interest. Add to this the occasional occurrence of heavy expenditure on social ceremonies would carry the amount of debts to unmanageable heights, while in the end the tenure of the land passes on to the money-lender or the sowcar. Herein lies the main cause for the uprisings of the peasants, such as the Sonthal Rebellion of 1858, Deccan Riots of 1874, and those of Ajmere in 1891. Further the change of hands of the land is in no way better to the progress of agriculture as it leads to the inefficiency of cultivation. Lastly, the fact that another person will get the lion's share of the produce will damp the zeal of the most enthusiastic, and the effect this has, is the reduction of the capacity of the ryot to purchase better requisites of agricultural production.

STATE LEGISLATION AND INDEBTEDNESS.

Next comes the question of the State's attempt and failure to tackle the problem satisfactorily by State legislation. The enormous number of suits filed for the recovery of loans in various courts, and the uprisings in Deccan in 1874 and in several other places roused the Government to take action in the matter. The recommendations of the several Famine Commissions and the Deccan Riots' Commission rendered significant assistance to the Government of India to approach the problem of relieving the ryot from the disease of chronic debt through State legislation. The Land Improvement Loans Act of 1883 and Agriculturists' Loans Act of 1884, were passed to advance loans to the ryots for the express purposes of improving the land by investing it in the purchase of cattle, implements and seeds and to dig wells and to improve drainage. Though these acts proved of immense value in times of distress the ryot

did not make use of the loan as they had some inherent defects. The advanced amount was small and the interest charged was not tempting. The sum disbursed in the year 1877-78 amounted to Rs. 4,27,841, a negligible figure when compared with the vastness of the land and the strength of agricultural population. Above all, the dealings of the cultivator in matter of getting the loan were exceedingly troublesome; at every point he was thrown back. The time to repay the loan was very short. The rigid method of collecting it with the land revenue made it unpopular. Further, Mr. Jones, Commissioner of Berar, pointed out that sums lent by Government were restricted to agriculture only and that the sowcar who was jealous of the Government for competing with him, refused to supply him funds he required for purposes other than agriculture, and that this was the main cause why he was not attracted by the Takavi loan.

One exhaustive effort made to curtail the power of the mouey-lender to squeeze the ryot was the introduction of the Deccan Agriculturists' Relief Bill in 1879 to be brought in force in the Bombay Presidency only. Many amendments were made from time to time and it underwent many changes. The Act, in brief, gave power to the court to examine the history of the debt and to make out an account of the debt actually loaned. It gave opportunity to the ryot to declare insolvency if he owes Rs. 50 and above. The creditors were required to furnish accounts and grant receipts, and it prescribed that mortgages by agriculturists should be in writing. To reduce litigation the period of limitation was extended to 12 years. The house, implements and the seeds of the agriculturists were exempted from attachment for default of payments. The motive of the Government in passing this Act was to protect the ryot, but the results were exactly against the motive. The outbreak of an excessive litigation that followed the Act served only to shake the foundations of rural credit. Money was lent no longer on personal security. The sowcar did not like the prospects of being scrutinized by the courts.

The Usurious Loans Acts of 1918 empowered the court to reopen and examine all loan transactions, including cases of both money and grain loans, and to relieve the ryot from the "excessive" interest and "unfair" transactions. The Royal Commission on Agriculture concluded that the Act was a dead letter and recommended that an enquiry may be made in every Province for the failure of the Act. The Central Banking Enquiry Committee which made enquiries in the matter are of opinion that the Act is capable of being worked to the advantage of the debtors in many provinces and that the existing defects are matters relating to questions of facts and that the courts should decide them as best as they could on the material placed before them. They also recommend that special reports on the working of the Act should be included in the annual reports on the Administration of Civil Justice.

The Punjab Land Alienation Act of 1900 did not improve the situation. The object was to restrict the transfer of agricultural land from the agricultural to the non-agricultural classes. The non-agriculturist was not able to buy land or take in mortgage for more than 20 years. Since the passing of the Act the area of land under mortgage has decreased, but it restricted the credit of the ryot while it gave rise to another class of land-lord money-lenders who may prove a worse enemy of the cultivator. For, as it has been pointed out in an article on the Mortgage Debt in Mysore, "while the professional money-lender is content to rely on the crop for repayment, the agriculturist-money-lender may conspire for the land as well as the crop." Another defect of the Act was that it allowed no provision for that kind of enterprising wealthy class of people who may be prepared to conduct experiments in agriculture on scientific methods.

The Punjab Regulation of Accounts Act which was passed in 1930 enforces on the lender to furnish accounts of the transaction every half year to his debtor signed by himself or his agent. Further the accounts will have to show interest separately from principal and the court is empowered to disallow the whole or a portion of the interest found due, if the creditor has not regularly recorded and maintained his accounts. It is hoped that if similar legislation is passed in all the Provinces, many of the complaints against the money-lenders, such as taking of thumb impression on blank paper and insertion of arbitrary accounts afterwards, will disappear.

Debt Conciliation Boards.

The system of reducing debts through the agency of Debt Conciliation Boards and Debt Composition Boards, which are adopted in the Central Provinces, and in the Punjab is doubtless commendable. These Committees, consisting of local panchayats, collect the debtor

and creditors in every village. They ask the money-lender to settle the accounts of certain debtors. The money-lender will then tell them the amount including interest up-to-date. The Committee will then reduce the figure to a round sum after some haggling with the lender. The creditor and the debtor are then called upon to sign the agreement to abide by the decision of the conciliators. The paying capacity of the debtor is taken into consideration and often the payment is made in instalments extending over a period of 5 to 10 years in the case of small tenants. This way of reducing rural indebtedness, no doubt, will be appreciated when proper facilities of cheap credit are provided to the borrower by some suitable agency. It is the observation of this fact that has made the Central Banking Enquiry Committee to say that even this system cannot work satisfactorily unless some agency like the Government or the Co-operative Society or the Land Mortgage Bank, is forthcoming to make cash advances to the debtors, to redeem prior debts.

All these measures even when they are computed collectively have failed to achieve the expected results. Some of them "have touched the fringe of the problem," while others have aggravated the malady instead of curing it. The advance made by the Government to improve the land was "a drop in the ocean". The excessive interference of the court, the outbreak of an increased litigation and the restrictions imposed on the transference of land, that followed the State's legislation in the absence of suitable, elastic, rural financial institution did harm to the existing credit facilities in shaking them to their very foundations. Yet, the attempts made by the Government to eliminate the money-lender by State legislation on the one hand, and to introduce a network of credit institutions to take the place of money-lenders on the other hand, deserve the gratitude of the ryot. The grant of Takavi loans, the establishment of the Imperial Bank together with its various branches throughout India and the introduction of Land Mortgage Banks did much good to the people at large. The Land Mortgage Banks are not sufficiently large in number or in size to meet fully the requirements of the peasantry for long-term credit, for the redemption of mortgaged land, for clearance of debt and for land improvements. In British India there are at present 68 Land Mortgage Banks with a membership of 14,142 and a total working capital of Rs. 46,96,000. But they are not adequate enough to meet the needs of the poor ryots of a continent.

The nature of rural India is such that it requires a system of financial institution which running deep into the very fabric of rural society, could adapt itself to the varying needs of rural population. The institution which answers this description is a rural credit co-operative society. Experience and practice have taught us that wherever agriculture is a prominent industry, co-operation is coming to be regarded as the natural basis of economic, social and educational developments and India is no exception. It has been undoubtedly supported by all the Commissions appointed by the Government and by the economists that the true remedy to relieve the agriculturist from indebtedness lies in the growth of the Co-operative Movement. In this connection, the Agricultural Commission say, "the only remedy it appears to offer any prospect of success is the patient and persistent education in the principles and meaning of Co-operation of the members of primary societies."

It is, therefore, not the scope of this essay to discuss the merits and defects of Co-operation. Experience has already shown how far the Movement has contributed to the progress of humanity at large in the various parts of the Globe. Here we are only concerned to know and understand why it has failed to accomplish the miraculous achievements it has made in the Western countries.

One conspicuous feature of Indian Co-operative Movement is that it receives support from above and not from below. In western countries of Denmark and Germany it was in the main, the work of public-spirited men who laboured hard for the good of the people and the Government hardly interfered in their affairs. But in India it is the Government that has taken the initiative to spread the Movement throughout a vast continent, where matters cannot be improved unless and until there is a strong will on the part of the people to live a better life.

Again, Co-operation in essence, presupposes two things which are conspicuous by their absence to a pre-eminent degree in the social structure of Rural India. Education and thrift are the potent factors of Co-operation. It is the absence of these two qualities that has contributed to the huge unproductive debt of the ryot. So long as the Indian peasant remains uneducated, the Movement will not have any chances of progress. How could it be possible to except an illiterate

cultivator who has hardly any knowledge of the land beyond his Taluk or District to know the world of benefit derived by the Movement in Germany or Denmark or Italy? Apart from the dissemination of elementary education, the mass of India should also be educated in the principles of Co-operation. The Central Banking Enquiry Committee emphasizes this fact by saying that the "present difficulties are said to be also due, not infrequently, to the inefficiency and selfishness of many a managing committee and to a lack of understanding of co-operative principles by the bulk of the members." It is a matter of regret to point out here that in the talks on recent retrenchments in Mysore, it was expressed by educated men that the Co-operative Department is an unnecessary burden on the State. This belief goes to tell how little the so-called average educated men know about the ideals of Co-operation. It may be suggested that such false notions can only be removed by making the subject on Co-operation compulsory in High School classes. Further, the habit of thrift which is the basis of an healthy Co-operative Movement, is an idea quite foreign to the ryot who has been characterized as "improvident, extravagant and ignorant". The machinery to promote thrift and education lies in the hands of the Movement itself.

In conclusion, it may be said that the salvation of the Indian ryot lies in the spread of healthy Co-operative Movement and that the structure and progress of the Movement is the work of the Movement itself. It has got a double duty to perform. On the one hand, it should find itself useful, firstly by educating the masses to develop their moral, economic and social activities: secondly, by the organization of a convenient, cheap, elastic, rural credit institutions which would be able to meet the urgent needs of even the poorest class, on the other, it should develop its own organization so as to make itself felt throughout the length and breadth of India "by patient and persistent education of the people in the principle and meaning of Co-operation through its own men who are competent enough to perform the task." It may be hoped that India will see a day when the Movement will not only enable the farmer to meet, out of his produce of the land, the charges of land revenue, rent, interest and of redemption of his prior debts, but also make him capable of providing himself and his family with proper food and clothing and make the problem of agricultural indebtedness a history of the past.

Yet one word more. The history of the Agricultural Bank of Egypt has given us a note of warning that the problem of rural credit cannot be solved at one stroke by the provision of cheap and abundant credit. Here is a great task for the Indian National Economic Council of which Sir George Schuster spoke the other day in the All-India Economic Conference held a few months ago. This National Economic Council must be established immediately whether the proposed new constitution will come into being or not. It must set up definite lines of policy calculated to accelerate agricultural progress in India. No improvement in the existing credit system and banking facilities can bring salvation to the ryot until and unless drastic measures are taken up for raising the standard of living of the population at large and for building up its productive strength. To accomplish these aims, agriculture should be made a paying industry. The National Economic Council should take up the task of analysing the factors that go to make agriculture a profitable industry. Diffusion of agricultural education, formulation of schemes for the improvement of land, live-stock and crops, provision of power and other assistance to industries subsidiary to agriculture, organization of transport system in rural areas by providing good roads and other transport facilities, lowering the burden of taxation, State's assistance to agriculture by tariffs and subsidies, improvement of irrigation facilities, regulation of Tenancy laws and passing Acts for Consolidation of Holdings are the various forces which deserve the attention of the National Economic Council before it can formulate any scheme of national reconstruction.

A conference of economic experts, official and non-official, met at Ootacamund recently to discuss preliminaries. The object of the conference was to discuss the economic condition of the ryots in the Madras Presidency. The question of the ability or otherwise of agriculturists to meet their liabilities in the shape of revenue assessment and similar dues was discussed in detail. Statistics regarding agricultural indebtedness and how much it has been augmented by the present phenomenal fall in price of the agricultural produce has been collected.

Many a man who swears he would go through hell for a girl marries her and does.

Agriculture in Bombay, 1931–32.

By B.P.O.

In the administration report of the Agricultural Department for 1931-32 which is just published, it is stated that the general impression of 1931-32 is that it was a fairly good agricultural year, though definitely inferior to 1930-31. Actual figures, however, indicate that 1931-32 was nearly as good as 1930-31, and the impression mentioned above may be due to the mark left on the mind by three or four outstanding phenomena, such as the exceptionally bad cotton season experienced in Khandesh and the adverse conditions which affected the rabi jowar crop of the East Deccan, the harmful winds which damaged the cotton crop in Dharwar district, and the wheat rust epidemic in the Karnatak. When the great slump in prices set in about May 1930, the report goes on to say, many people jumped to the conclusion that there would be profound changes in the areas sown with different crops and they argued that crops like cotton were being produced at a loss. The figures of total cropped area for 1930-31 and 1931-32, *viz.*, 20,502,000 acres and 20,059,000 acres respectively do not reveal any very marked departure from the position prevailing just before the slump. It is clear, however, that the slump in prices did react on the areas sown with money crops like cotton. The area sown with this crop diminished by over 20 per cent in the year 1930-31 immediately succeeding the slump which occurred about May 1930. About half the lost ground was again recovered in 1931-32 when the cotton area rose to over 4 million acres in the British districts of the Bombay presidency proper. The groundnut area also fell but to a less extent, notwithstanding the fact that the price fell relatively more than that of cotton.

An interesting point pertaining to the price level of Indian agricultural produce generally and cotton in particular in the year under report, was the repercussion of Great Britain abandoning the gold standard, and its sequal, the readjustment of the sterling-dollar cross-rate. This happened in the latter part of September 1931. The price of cotton in Bombay varied broadly inversely with the sterling-dollar cross-rate after the gold standard was abandoned and was mainly the result of currency depreciation.

The year was notable for the attention given to the problem of protecting India's raw and manufactured products from foreign competition. The Sugar Industries (Protection) Act, 1932, received the assent of the Governor-General on the 8th April 1932. This Act makes provision for the protection of Indian produced sugar for a period of 15 years ending on the 31st March 1946.

An event of some significance to Indian agriculture was the establishment of the section of Agricultural Meteorology by the Meteorological Department of the Government of India, with the aid of a three years grant from the Imperial Council of Agricultural Research. On the "Research" side the programme is to investigate the best methods and standardise them for the measurement of radiation, evaporation, soil temperature and soil humidity, so that these data may ultimately be systematically maintained in addition to those of air temperature and air humidity, rainfall, wind, sunshine, etc.

Services to the Public.

The organization of the seed supply of new and improved varieties of crops is one of the major services which the Department is rendering to agriculture. In this way a large volume of seed of the staple crops, such as cotton and rice, is made available to the cultivator.

The area under fruit is increasing. In the year under report the acreage rose to 59,403 acres as against 57,662 acres in the previous year. The Department is assisting this movement by making available reliable fruit stock, not only to the general public, but to the professional nursery-men who are the proper intermediaries in such operations. The Horticulturist to Government supplied over 9,000 plants to the general public and professional nursery-men in the year under report.

In certain districts, more particularly in the Deccan, remarkable results have been obtained with graded jowar seed. In the year under report the Department, with the aid of local agencies, arranged for the grading of jowar seed on a large scale in Sholapur, Poona, Ahmednagar and Satara districts. In addition 45,960 lbs. of wheat seed and 7,110 lbs. of bajri seed were graded. It is estimated that about 62,000 acres were sown with graded seed in the year under report.

One of the greatest services that the Department can render to agriculture is the

improvement of cattle through the supply of superior bulls for breeding purposes, provided they have the draught qualities demanded by the ploughman. There were 101 premium bulls working in the Intensive Breeding Zones on the 1st July 1932 as against 78 last year. In addition there were 24 premium bulls working in the rest of the presidency as against 14 in the preceding year. The live-stock expert reports that the market value of this progeny is as much as 30 per cent more than that of ordinary well-bred stock.

The production of premium bulls is being carried on at four principal centres—Chharodi in Ahmedabad district, Surat in Surat district, Bankapur in Dharwar district and Kandivlee in Thana district. At Chharodi and Surat the breed is Kankrej and excellent bulls are being produced. At Bankapur the strength of the herd is 124, a considerable number of stock being cast as the herd was originally not pure, but the young cow-herd is now very uniform.

Another important development in the service of cattle-breeding is the introduction of registration of pedigree stock. Herd-books have been prepared for all the principal breeds. This has been rendered possible through the marking of cattle by the tattoo method.

The chief service which is being rendered to the poultry industry is the distribution of stud-birds of superior breeds. The District Local Board, Satara, has engaged a poultry expert and has arranged for the supply of cocks and hens of the Leghorn and Rhode Island Red breeds.

In this presidency the most important form of land development is embanking to conserve the rainfall and prevent erosion. The practice is an old one, but the department has been able to demonstrate that embankments (tals) are generally designed wrongly, which leads to much wasted effort and money through breaches, etc. Several of the district agricultural overseers have been specially trained in this class of work and their services are in keen demand for preparing plans and estimates and for advice upon alignments and the construction of waste weirs.

In certain parts of the Karnatak the pig menace is the dominant agricultural problem as crops cannot be grown without protection. In this connection the Department has been assisting the public to fence their lands and several co-operative schemes have been promoted. The Department also continued to assist the agricultural public, especially where there are organized bodies, to organize campaigns for the destruction of wild pigs and deer which cause enormous damage to crops in certain tracts. Rat destruction was also continued by issuing packets of arsenical poisons.

Agricultural Research.

As a result of the impetus given to Agricultural Research by the Royal Commission on Indian Agriculture it has been possible for the Department to promote several new research schemes with funds mainly provided by external bodies such as the Imperial Council of Agricultural Research, the Indian Central Cotton Committee and the Sir Sassoon David Trust. The most important of these schemes are referred to below :—

There is a big scheme in regard to sugarcane. Its main objective is the production of cane at a much lower price than has hitherto been prevailing, so as to render it possible for Peninsular India to produce sugar for the Indian market in competition with the north of India, and ultimately in competition with foreign cane-sugar producing countries like Java.

With the aid of a grant from the Imperial Council of Agricultural Research ten large-scale consignments of fruit were sent to London during the 1932 mango season with very encouraging results. Before, however, an export trade can be planned on a scientific basis it is necessary to carry out certain investigations for the purpose of ascertaining the commercial storage life of fruits.

The research scheme which has been in progress at Dharwar for some years has led to the discoveries which have enabled the plant breeder to test his new strains of cotton under conditions of disease of maximum intensity, through the adoption of a suitable technique which has been worked out. Hitherto these tests had to be conducted under field conditions far removed from the optimum for the disease, thus resulting in plants which merely escaped the disease being regarded as disease resistant.

Crop-Breeding.

The Department has been active in regard to crop-breeding. Cotton breeding is in progress at Surat, Broach, Viramgam, Jalgaon and Dharwar. Rice-breeding is being carried on at Karjat, Ratnagiri, Kumpta and Mugad. The Bansi variety of wheat is being tried at Nasik, while jowar-breeding is in progress at several centres.

AGRICULTURAL PROPAGANDA.

Agricultural propaganda is the instrument for bringing home to the minds of the public the improvements which have been worked out by the Department through its research activities.

The principal subjects of propaganda undertaken during the course of the year pertain to land-development, improved crops, cultural methods, seed-grading, cattle-breeding, fodder-conservation, crop-pests, fruit-farming and green-manuring.

Apart from organized shows, the principal methods adopted for demonstration include (1) cultivators' fields, where improved crops, methods or implements are shown; (2) village threshing yards where threshing and winnowing and chaff-cutting machines are shown at work, and (3) Revenue Department Jamabandi meetings and fairs where improved methods and seeds and implements are shown. The principal non-official agencies which are undertaking agricultural propaganda are:—Taluka Agricultural Development Associations, District Local Boards, Co-operative Societies, Village School Masters, Business Firms and individual agriculturists.

Slum Clearance in the West.

By The Editor.

An object lesson to India is to be derived from a study of the steps taken, in these days of universal trade depression, in the West, in the matter of slum clearance. Life in the metropolitan towns in India deserves to be looked into more closely than hitherto, if health conditions are to improve. For instance, the Secretary to the British Ministry of Health has issued a Circular headed, "Housing Act, 1930; Part I" to all the housing authorities of England and Wales, stating that the present rate of slum clearance is too slow and that conditions are now favourable to the success of a vigorous campaign for the improvement of housing conditions. Local authorities are requested to prepare lists of the areas in which clearance or improvement is necessary and time-tables of the work to be done. These should be sent to the Ministry before the end of September 1933. Special arrangements are to be made in respect of the County of London. The Exchange subsidy under the Housing Act of 1930 is maintained at its present level £ 2 5s. per person displaced annually *plus* an annual contribution from local rates of £ 3 15s. per house, both payable for 40 years), as an inducement to local authorities to undertake the greatest possible amount of work without delay. The Ministry will decide as soon as possible what action shall be taken on the basis of the programmes submitted to it.

Then, again, an authorisation for an advance of $ 8,075,000 for slum clearance in New York was made by the Reconstruction Finance Corporation of the United States on 30th March 1933. This is the first Federal loan for slum clearance. It will be used to wipe out the worst slum area in New York City, known as the "Lung Block," because of its high tuberculosis rate. Instead of the present buildings a modern 12-story fire-proof steel and concrete structure will be built, containing 1,630 apartments, 6,030 rooms (counting a kitchen and dining alcove as one and a half rooms) and 40 shops. The rents of apartments in the building have been fixed by the New York Housing Board at $ 12.50 per room per month. The scheme is calculated to give a year's work to 10,000 men, of whom about 2,000 will be employed directly on the site.

These two instances are sufficient to show the active interest that is being taken in slum clearance work in the West. One point to learn from these two notable instances is that a regular campaign is necessary if things are really to improve. Next, money has to be spent directly in reconstruction work, if we mean business. Finally, that prevention is better than cure, should be the motto in dealing with the results of slum life. How is the nation's life to be saved if Tuberculosis is to claim victims by the thousand or Plague by the lakh?

The trade agreement concluded between India and the United Kingdom, as a result of the Ottawa Conference, will affect almost 55 per cent of India's normal imports from the United States, according to an analysis that has been made by the Far Eastern Section, Division of Regional Information. During the fiscal year ended March 31, 1931, India's total imports from the United States were valued at $ 55,288,000 and of this amount American products to the value of $ 30,256,800 will feel the effect of the preferential rates granted to the United Kingdom or to the non-self-governing British colonies.

The Indian Partnership Act, 1932.

By Rama Banajiga, B.A.

The Indian Partnership Act, which came into force on 1st October 1932, is an enactment of considerable importance to the mercantile community. Apart from the objective law of partnership consolidated in its provisions, the Act contains a Chapter (VII) relating to the registration of Firms—a matter which has exercised the minds of the commercial community of Bombay and elsewhere for a number of years. It has been said that a plaintiff's troubles begin after he has obtained his decree because *it is when he tries to execute* his decree and realize his money that he is met with all manner of defences as to who really is liable on the decree. The present enactment will go a great way in informing people beforehand as to the persons they are dealing with. In order, however, to provide ample opportunity to the public to become acquainted with this new law and in order that Firms may have a seasonable time to register, Section 69 of the Act, which is the penal Section, comes into operation one year after the rest of the Act, *viz.*, from 1st October 1933. This section lays down that a Firm which is not registered will be unable to enforce its claims against third parties in the Civil Courts (*i.e.*, no suit can be instituted by a Firm until its registration): and even a partner whose firm is not registered will be unable to enforce his claims either against third parties or against his fellow-partners. Under the Chapter, a small firm or a firm created for a single venture, not anticipating any difficulty in getting payment, need not register but in that event the partners run the risk of matters not coming up to their expectations. Persons who have entered into partnership with one another are called individually "partners" and collectively "a firm". For the purpose of registration, nothing connected with the internal economy of the firm need be disclosed beyond the mere names and addresses of partners, the place of business of the firm, the date when each partner joined the firm, the duration of their partnership and the nature of the business. After registration all subsequent alterations in the constitution of the firm, any change of address, etc., has to be notified to the Registrar. The registration may be effected at any time and in any area *in which the firm carries on business on payment* of a prescribed fee of Rs. 3 only. The forms of statement, notices and intimations under the Act required to be filed with the Registrar are set out in the Schedule to the Bombay Partnership Rules, 1932, published at pages 2486 to 2489, Part I of the *Bombay Government Gazette* dated 10th November 1932 and the amendment thereto published at page 1336, Part I of the *Bombay Government Gazette* dated 1st June 1933.

In order to preserve the right to sue in the Civil Courts, to avoid difficulties in obtaining decrees from such Courts and to avoid delay in getting payment and also in registration it would be advisable for firms to get themselves registered before 1st October 1933, the date on which Section 69 of the Act comes into operation. It may be mentioned that delay in getting the firm registered or the time taken in getting the firm registered will be no valid excuse under the Indian Limitation Act for saving the claim from the bar of limitation prescribed by the said Act.

It may be mentioned that the Partnership Act has no application to a Hindu undivided joint family carrying on a family business or to firms which have no place of business in British India.

A stick in the hand is worth two on the frame.

Fixity of purpose often calls for flexibility of method.

It's always worth while to be just "Somebody's pal".

A woman's maiden aim is to change her maiden name.

If you find yourself tempted to swell up, visit a cemetery.

After middle age the woman powders and the man puffs.

Four-fifths of the perjury in this world is expended on tombstones.

Henry Ford wasn't entirely wrong when he said "History is bunk".

Many a girl has dropped a handkerchief and picked up a husband.

The best way to make a razor last a long time is to buy the wife a pencil-sharpener.

Success is merely a matter of buying your experience cheap and selling it at a profit.

The only thing that can cheat a woman out of the last world is the echo of her own voice.

America and the World Crisis.

By Dr. B. Ramachandra Rao, M.A., Ph.D.,

Department of Economics, Calcutta University.

One hundred and fifty years back the United States of America was an undeveloped Continent with a small number of civilized people. But a strange metamorphosis has taken place and to-day the United States of America cover an area of 3,000,000 square miles and possess 125 mil. of active population with a *per capita* income of $ 720 and *per capita* wealth of $ 3,200. The documentary evidence of the World Economic Conference of 1927 states that "in 1924 the U.S.A. contributed 17 per cent of the world's production of wheat, 75 per cent of the maize, 32 per cent of the tobacco, 24 per cent of the hops, 50 per cent of the cotton, 53 per cent of the cotton seed, 44 per cent of the coal, 70 per cent of the petroleum, 81 per cent of the sulphur, 40 per cent of the natural phosphates and thirty-five per cent of the aluminium..... The U.S.A. led the world in the production of iron ore, copper ore, lead ore, zinc ore, natural gas and artificial silk." The report of the Recent Committee on Economic Changes in the U.S.A. emphasizes certain important economic characteristics of the present-day American economic life. Her stable population (though its density is so low as 40 per sq. mile), her increasing use of machinery and fixed capital holdings for working her natural resources have easily made the U.S.A. the foremost country on the face of the earth. The views of such a country which possesses such vast economic power concerning the world economic depression would be of very great interest and vital importance. Will America save herself and the world? Will she become the economic leader of the world? Will she attempt and maintain the foolish old policy of exclusive economic isolation in these days of economic internationalism? How and in what way can the U.S.A. solve the world financial crisis? Can this industrial giant solve for us any of the incidental problems of excessive industrialism as depicted by the domination of machines, standardization and mass production of goods?

Considerations of space forbid me in dealing with the entire series of the above questionnaire. As the article aims at a dispassionate study of America's contributions towards solving the world depression we have to discern how America herself has suffered as a result of the reactions arising out of the European crisis. American leaders of thought tacitly recognize that the U.S.A. has pursued a fallacious economic policy during the eventful years 1929-1932. Apart from initiating the world depression as a result of the Stock Market Crash in October 1929 the U.S.A. has become the target of attack and is held responsible for many of the world's economic ills.

Even so early as in 1926 the shrewd French people attributed all their exchange evils to American manipulation. The German crisis, the British financial chaos and the European financial breakdown have been attributed rightly or wrongly to the timidity, the inexperience and the greed of American bankers. Though at one time American industrial organization and business methods easily won the admiration of European writers, her present-day methods are no longer worshipped. A few such phrases as the 'Secret of High Wages' and 'America the Golden' connote the unstinted admiration that once swayed the minds of European observers of American ways and methods, views and practices. Since the abrupt disappearance of the illusory prosperity created during the 'New Era' shattered the hallucinations of the thinkers, there has been a swing of the pendulum to the opposite side. The very fact that America herself has been the worst sufferer of the sweeping 'economic blizzard' has created serious misgivings. Her failure to make the needed internal adjustments to the new world situation created by her changed economic status, *viz.*, from a debtor to a creditor country, has weaned away the thinking public who are exceedingly loath to admire and think much of her economic machinery. Her insistence on return of the invested capital in shape of gold, her fast mounting tariffs, her gigantic production mainly for supplying the European markets, her mercantilistic notions with reference to the necessity of maintaining a visible balance of trade by sending excessive exports and her abrupt cessation in matter of export of capital to European debtor countries, her wild debauch of frenzied finance, crazy speculation and insensate greed displayed during 1929-1932, have almost ruined her economic future. So long as she displays these characteristics there is no possibility that America will use her economic capacity to her advantage. So long as America fails

to adjust and adapt herself to the new conditions and depend on their 'horse sense' to solve the intricate problems neither her own nor Europe's economic problems can be adequately tackled.

The inadequate realization of the economic inter-dependence of the world is at the bottom of the mischief. Partial results are forthcoming as a result of the neglect of this aspect. The solution of the Reparations and debts problem has always failed as a result of one-sided understanding of the problem. America was only anxious to grant moratoria in this matter so that after the period of economic recuperation is over the colossal amounts might be paid in gold whether that exists in the debtor's hands or not. It is always the exclusive understanding of her own economic situation that has been clouding her mentality. Her legal right to secure repayment of War debts alone is considered. While the inconvenience of making the payment is recognized and hence the granting of moratoria is allowed, the fact that mutual economic relations tend to be vastly improved as a result of complete cancellation is never realized by the general public of the U.S.A. Similarly the consequences of maladjustment of gold are never properly appreciated. America has been wise enough not to inflate her currency as a result of the incoming gold and thus seriously put to distraint her own industrial and economic capacity. But how to restore back the locked-up gold hoards is not seriously thought of. Another illustration in the field of industrialism would convince one of the facts that America faces only the inward task of economic reconstruction without gauging aright the possible repercussion of her economic action on the outside world. Her high tariffs are considered an essential bulwark for maintaining a high standard of life. Whatever might be the ill-effects of a regime of high protectionism America refuses to surrender her right of levying tariffs. It is only a modern Joshua's trumpets that can pull down her jerry-built tariff walls. Her economic behaviourism being such, the world economic conditions can seldom be improved.

Conflicting Views.

The one outstanding feature is the tendency of conflicting views to prevail so much so that the right kind of economic action is delayed at the nick of time. As in all other walks of life a belated movement in the dynamic economic life of modern times has always proved sterile or produced only quite negligible results. If industrial investment has to be properly stimulated the lowering of the rate of interest and the confident assurance that such low rates of interest will tend to prevail for quite a long time has to be properly secured at the psychological moment. America vainly pursued a policy of low bank rates and cheapened her artificially created credit but the needed confidence having not been generated, the resultant effects were not praiseworthy.

Ex-President Hoover's Moratorium.

Even at this late hour and after so much of huckstering, the attitude with reference to War debts and Reparations is not decisive and helpful to the cause of European economic revival. Ex-President Hoover always held the view that Europe could pay and should pay the entire War debts. Many other ignorant people opined that taxation could be keyed to a high pitch and with lessened expenditure on Armaments the War debts ought to be paid and as the American Government was morally bound to repay the entire sum to her own children she ought to exact her proceeds. As a result of such mental understanding all that the piteous entreaties of bankrupt debtor countries could secure was the passing of moratorium for a brief period of one year.

President Roosevelt's Opinion.

President Roosevelt holds the opinion that America ought to be merciful. He recommends a climb down and proposes to use these War debts as a lever in securing economic concessions from the hands of the grateful debtor countries. War debts are to be a bargaining factor. The much-needed external markets for American mechanized industry have to be secured by lowering the European tariffs as an economic concession in return for the wiping off of their indebtedness.

The Twenty-Four Economists' *Manifesto.*

Some of the prominent bankers and economists in a widely-spread manifesto have tacitly agreed to entirely scrap off the War debts. They recognize the economic impossibility of collecting War debts so long as the creditor country abruptly refuses to lend more when there is real need. Since 1929 the unwise attitude of America in refusing to lend more has deranged the internal economy of the European debtor countries. The economic prostration of Germany which led to the Lausanne solution was a direct result of the failure of American bankers and the public to hold or renew old debts and

make new ones. Some of the private American foreign investments might have been made *hastily and as wisdom has dawned on them* there might be enough justification for America's changed attitude. But her reckless investment has benefited nobody. Unless she learns the art of making wise foreign investment there can be no proper solution.

DR. BUTLER'S OPINION.

Dr. Nicholas Murray Butler in his letter dated February 21, 1933, to the Hon. Reed Smoot, Chairman of the Senate Finance Committee—emphasizes the necessity of immediate composition of War debts with debtor countries. He says, "it would be a huge relief to the American tax-payer and the greatest possible stimulus to American agriculture, industry and transportation if our Government were to equitably arrange with the debtor Governments for a composition of these debts similar in form and spirit to that arranged by the former allies and the German Government on July 9th last at Lausanne. The mere announcement of such an agreement would restore public confidence *and thereby give the greatest possible stimulus* to our agriculture, our industry and our transportation."

Writing much earlier in the well-known economic tracts issued by the Chase National Bank, Dr. Benjamin Anderson (Jr.) says that "a best bargain ought to be quickly arrived at by the American Government in the matter of inter-allied debts."

SOME RECENT PAYMENTS.

The French Government did indeed pay but pleaded for a reconsideration of the debt question. Great Britain similarly paid the debt instalment in gold in December 1932. Quite recently debt repayment was made with the help of silver bullion and this was accepted by creditor America as a valid payment. Since then other countries have been invited non-officially to make their debt repayments (a portion of which might be composed of actual silver). But however lenient America might be in this direction, the entire world now recognizes that mutual trade and financial relations become complicated and delay the restoration of normal production, trade and employment. Under the present disorganized world trade and monetary conditions it would be impossible to make huge debt payments either in goods, gold or services. It is a tacit recognition of this fact that makes the National City Bank of New York agitate for "a quick co-operative effort to re-establish economic order". Disordered exchanges and depreciated currencies would result out of the efforts of debtor countries to make debt payments and this renders impossible the continuation of foreign trade on the part of the U.S.A.

MONETARY DEPRECIATION TO SECURE WAR DEBTS.

The recent solution dictated by American public opinion and unwillingly accepted by President Roosevelt is the monetary depreciation of the dollar itself. America is off the gold standard. The rampant inflationist cry has at last drowned all common sense. To protect the American home market from dumped exports of countries with depreciated *currency the industrialists themselves* advocated the depreciation of the dollar so as to secure an equal chance for them in the world market. This view produced the needed re-orientation of American monetary and financial policy. The United States of America has committed herself to a policy of drastic inflation. But her strong gold reserves, her excessive foreign credits in world money markets and her favourable trade would tend to moderate the depreciation of the value of the dollar. Home market commodity and share prices have already risen high. The reopening of activity in the Wall Street is a significant result of American inflation. Above all, the European debts can now be easily repaid to America. The American President can indeed now effectively insist on the collection of War debts which can be repaid easily so long as the fall in the value of the dollar continues.*

The fall of the American dollar is only the last of the serious monetary revolutions which have convulsed the World trade, financial and banking matters. Every country with the exception of Holland and Switzerland has a depreciated currency and nothing is so important as to check these disorganized monetary affairs. A unilateral stabilization, say of the British Pound Sterling, would be

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*It is not the mere abrogation of the gold clause in debt contracts as in the case of Belgium that is aimed at by the U.S.A. She openly repudiates the self-constituted guardianship of the gold standard. Finally it renders possible the creation of extensive *credits which may be utilized for financing public* works started by the Federal Government. It would combat the hoarding of bank notes if gold payments are suspended. Foreign trade might be improved though temporarily as a result of depreciated currency. Above all it might be a move to hasten the resurrection of the international gold standard.

futile. A multilateral stabilization of currencies including the "Almighty Dollar itself" is the crying need of the hour. This way of solving the War debts problem which has rightly been considered as one potent cause for the World crisis has tended to make confusion worse confounded. It has arisen out of the desire of the American public to collect their dues from the European debtor and there has been no proper appreciation of the economic difficulties of herself nor those of the European debtor countries. America herself is being entangled and drawn deeper and deeper into the mire.† It is impossible to expect that a new economic world can arise so long as the canker of economic nationalism is eating away the very vitals of economic thinking and activity. Economic injustices are bound to arise out of wholesale debasement of currency. Depreciated exchange can after all afford only a temporary fillip to her declining trade.

THE RIGHT REMEDIES.

A revival of world trade, a resumption of foreign lending and wise investment and resurrection of confidence which are so essential to drag the suffering world from the harrowing effects of the economic blizzard can never arise out of this technical economic blunder committed by the U.S.A.

It might be that her internal problem might have been solved. Her bankers might have received good aid or help forthcoming out of her inflationary policy. Her budgetary equilibrium might have been secured. Her managed currency might lead to controlled inflation and might enable her to solve the problems arising out of 'frozen credits' and hoarded currency. More power might be granted to the Federal Reserve System to solve the banking evils.

But her responsibilities as a World leader have been negatived. She has failed to rise equal to the situation and lead the world to a haven of security. World economy has not been securing the needed fillip out of recent American action. America has vitally gone astray and her inflationary policy unless nipped in the bud or followed by other countries would indeed be sterile.

The entire cancellation of political debts, the writing off of some private investments, the bringing in of American economy into a line with the World Economy and the internal readjustment of unsupportable fixed obligations have been recommended long ago by the thinking public as necessary for world recovery. It is indeed sad to reflect that these words of sound advice have fallen on deaf ears. Instead of leading the entire world she has been following the lead of the other nationalistic countries. The lessons of world economic order or economic internationalism have not been grasped aright. Its full implications have not been understood in their true light. It is indeed sad to recognize that a powerful and independent economic country who could change the fortune of the entire world lost or neglected her opportunity. She might have displayed good sense in entrusting plenary power to the Executive to tackle the situation. "The Dictator of the Dollar" might happen to solve the domestic problem. The terrible after-effects of stupendous deflation experienced for a number of years might be cured by monetary inflation. The concentration of power in the hands of the President and the display of nationalistic cooperation by the different 49 States show that some good has resulted out of the domestic banking and financial crisis. Social justice might indeed be secured by harmonizing the divergent interests of exporters and importers, debtors and creditors, producers and consumers.

But the currency inflation is not worth "monkeying with". A controlled inflation or reflation would not raise prices sufficiently. An uncontrolled currency and credit inflation would mean making money worthless. Whether America would really experience a terrible holocaust or not nobody can prophesy. Judging America from this standpoint alone of domestic currency inflation it becomes easily apparent that the world situation is conveniently forgotten or it is studied only from the narrow national angle or domestic vision. The forsaking of the international gold standard at the most crucial hour is a positive proof of 'insular Americanism'. The ignorance of world affairs is a disintegrating tendency and can be counteracted by well-directed educational effort. While the real solution from the European side is to secure perfectly genuine economic disarmament and secure order out of the monetary muddle, America has to meet Europe half way and contribute her own quota towards the amelioration of conditions arising out of the European crisis.

† Witness for example the hectic speculation in the Stock Market as soon as currency inflation became a settled fact. Six million transactions in shares took place on the opening day of the Wall Street after the declaration of the Gold embargo (April 1933).

CONCLUSION.

The entire scrapping away of War debts, Reparations and private debts, the balancing of budgets by deficit budgeteering, the restoration of a managed gold standard to secure tolerable exchange stability, the reduction of tariffs and other impediments to world trade, the resumption of barter basis in the matter of international trade and the creation of greater purchasing power more adequately distributed amongst the different classes so as to absorb the increased mass production and thus indirectly solve the unemployment problem are the important planks of economic reform which have to be acted upon if bitter disillusionment is to be avoided. The adjourned World Economic Conference would invite America's co-operation in all the above directions. There is indeed a ray of hope forthcoming out of the dismal and gloomy conditions. The ideas of domestic finance pursued by President Roosevelt inspire confidence that America's well-directed efforts might after all be harnessed in sobering up and painfully getting the World economic mechanism into order.

Economics of Sugar in India.*

By R.H.C.

Deccan Sugar Factory Development.

A year ago the Committee which was convened under the Chairmanship of Mr. B. S. Kamat, M.L.C. and was known as the Deccan Canals Financial Improvement Committee, advocated the establishment of sugar factories in the irrigated tracts of the Deccan as a means whereby the return on the capital invested in irrigation works might be increased and in particular emphasized the suitability of various tracts in the Nira Right Bank Canal area, where for various reasons development has been very slow, for the intensive growth of sugarcane.

The paucity of communications in this area has been in a large measure responsible for retarding the development of irrigation in general and of the sugarcane industry in particular. This was brought to the particular attention of the Special Officers, Messrs. Kirkness and Mitchell, when they were on tour in the Bombay Presidency last November, and they recommended that a further special enquiry into the necessities and possibilities of improvement in the communications in the area should be made. Accordingly Messrs. W. A. Evershed and R. O. C. Thompson, Executive Engineers, were appointed by the Government of Bombay and the Railway Board, respectively with instructions: "To examine and report on the communications required to develop the Nira Right and Left Bank Canal area, and particularly to what extent those areas require:

(a) New roads;

(b) Improved roads: and

(c) Railway extensions and connections to enable agricultural produce to reach its market most economically.

In the event of branch railway lines being considered necessary to make recommendations as to the gauge on which these should be constructed."

Their report on the enquiry, which will be published shortly, has been received by the Bombay Government and their recommendations are under consideration. The following are among the chief recommendations made:

(1) The construction of a 2′—6″ gauge railway from Baramati passing through or near Asu, Dharampuri, Nateputa, Malsiras, Akluj and Velapur to Pandharpur.

(2) The completion of the road from Phaltan to Baramati station, including bridges over the river Nira at Sangvi and over the river Karha in Baramati.

(3) Improvement of the road from Akluj to Sangam at the confluence of the rivers Nira and Bhima.

(4) Increased grant for maintenance of the road from Phaltan to Lonand.

This is the first example of a co-ordinated expert investigation into the communications of any area in the Bombay Presidency. The collaboration of a railway officer, having no connection with or direct interest in any of the railways in the neighbourhood, and an irrigation officer, who is only interested in communications in so far as they provide an outlet for produce from the land under command of the canals has resulted in the problem being approached from an entirely impartial standpoint.

*From time to time, it is proposed to publish in this section notes on Sugar and Sugar production, in view of the importance attaching to this subject at the present moment. [ED., M.E.J.]

Other factors directly affecting the development of irrigation in this area have also been receiving the attention of Government. From the soil classification and subsoil surveys of the land commanded by the canals, areas have been selected which are most suitable for cane growing from the point of view of soil and facility of drainage. Such matters also as the availability of the water over a period of years and the method of distribution have been investigated.

LARGE SUGAR STORAGE IN CANADA.

The Canadian Sugar Factories, Limited, manufacturers of beet sugar, have decided to construct four huge elevator bins at their plant in Raymond, Alta., for the storage of sugar. The new storage, it is said, will be of a type unique in Canada, being similar in construction to terminal grain elevator bins, and will cost approximately $ 50,000. Each bin will be 30 feet in diameter and 125 feet high, and will be constructed of concrete, insulated against frost and moisture. The bins, which will be specially lined to assure odourless and sanitary conditions, will accommodate about one-third of the product from the annual Southern Alberta beet crop. Sugar will be stored without sacks, thereby effecting a considerable saving in handling costs, the work is expected to be completed in time for the 1933 beet crop.

LEASE OF LANDS FOR SUGAR COMPANIES.

A Bombay Press Note says: In a Press Note issued on 11th October last it was announced that prospective Sugar Companies wishing for leases of land in canal areas for growing sugarcane should apply to the Superintending Engineer, Irrigation, Development and Research Circle. This post having been abolished, applications should now be made to the Superintending Engineer, Deccan Irrigation Circle, Poona, stating the area of cane they propose to grow (*a*) in the initial stage and (*b*) at maximum development and specifying the survey numbers which they propose to lease for (*a*) and (*b*) respectively. The Superintending Engineer after collecting the required information and carrying out any necessary investigations will submit the applications to Government.

AMERICA'S SUGAR CONSUMPTION.

Sugar statisticians, as well as others, especially when organizing a campaign to increase the consumption of any particular product in which they are interested, must not be content to take merely the consumption per head of the whole country in which they are working as a guide, but should, using the United States as an example break up the country according to its divisions, such as States, Counties, Provinces, etc. Where this can be done, time and money will possibly be saved, and even the entire campaign made more successful than can be looked for if the campaigners started on a City or State where the consumption was nearly at saturation point or used the easy-going tactics suitable for such a centre in connection with other areas where the consumption—let us say of cocoa products—is but fifty per cent of what it should be.

To prove the need of the above proposals let us turn to the weekly sugar market report of Messrs. Willett & Gray (need we add of New York), dated March 2nd, where you will find that page 99 is devoted to a table headed :—

U. S. Deliveries of Sugar by States, showing the Increase or Decrease and per capita Consumption of each State. U.S. Refined, Foreign and Insular Refined and Beet.

Here you will see that the consumption of sugar per head of 39 States compares as follows :—

	1929 Lb.	1930 Lb.	1931 Lb.	1932 Lb.
Average Consumption ..	103.7	103.0	98.4	92.9
Highest ,, ..	219.8	190.6	201.7	188.2
Lowest ,, ..	55.4	53.9	47.7	35.9

Maryland State, whose figures all through show the highest percentage of consumption, probably has refineries to be taken into account; in any case, she totalled 800.3 lb. in the four years, or a decimal point over 200 lb. per annum, whilst Mississippi State, although not always the lowest, averaged 197.6 lb. for the four years, or less than Maryland does for a single year. Her (Mississippi) average therefore is 49.4 lb., the next lowest being Arkansas, with a four years' total of 205.9 lb. and an average per capita consumption of 51½ lb. The above are very good so far as they go, but when you have the full table before you and note at a glance that whilst one centre calls for less than 36 lb. of sugar per head one year, against nearly 220 lb., the needs of another State, you are forced to realize that in these days of "Eat more——" and "*Drink more——*," the figures for the whole of a country offer but little help as a guide to show which is your best or least satisfied centre. To know that you must try and secure some details of a more local demand.

In their circular of January 12th, Messrs. W. and G. gave the per capita consumption of sugar for the whole of the U.S.A. as being 93.29 lb. last year, 98.47 in 1931: 99.37 in 1930 and 108.13 lb. in 1929. The record (1926) was 109.30 lb. Annual average for the ten years 1923-32, 101.3 lb.

Sugar Industry in Bihar.

The following is an extract from "Bihar and Orissa in 1931-32," by Mr. R. A. E. Williams, I.C.S.:—During 1930 twelve sugar factories were at work in north Bihar and they are said to have dealt with the produce of nearly 80,000 acres. The area of cane under cultivation is on the increase and new factories are being built. The crop in south Bihar is equally good and covers as large an area as that in north Bihar but so far there is only one factory in this part of the province. The provincial department of Agriculture aided by research work at Coimbatore has been able to popularize superior varieties of cane within recent years and to-day these are grown at considerable extra-profit all over the province to the almost complete exclusion of the old indigenous canes. In Bihar proper nearly 200,000 acres out of a total of 250,000 acres under cane grow the improved varieties, and this achievement is largely the result of steady propaganda by the department. This advance in cane cultivation is of the greatest economic value when it is remembered that in 1931 and 1932 sugarcane was the one crop which supplied the cultivator with ready resources of cash.

The Coming World Conference.

Its Genesis, Objects and Prospects.

London, May 31st, 1933.—We think it appropriate in this issue to remind our readers of the genesis of the coming World Monetary and Economic Conference and of the tasks it has to undertake. The assembly is of such importance, moreover, and so much hangs upon its deliberations, that we have attempted to bring together a digest of statements made by leading participants or their colleagues on that part of the agenda which more especially concerns monetary problems.

The first steps towards the Conference were taken at Lausanne in July 1932, when representatives of the principal governments concerned in reparation decided to invite the League of Nations "to convoke at a convenient date and at a place to be fixed a Conference on Monetary and Economic Questions", and to set up a committee of experts to explore the field for discussion. Concurrently an invitation was sent to the United States Government to take part in the Conference, and was accepted on conditions involving the exclusion from the agenda of the subjects of war debts, including reparation, and tariff rates. Of these questions the first was clearly the more important, for all parties recognized that world recovery cannot progress very far while the matter is in suspense. The Lausanne Conference had reached a tentative agreement on reparation, but its ratification was and still is dependent on a comparable settlement in respect of war debts to the United States. The difficulty has now been overcome by arranging that while the Conference is sitting the relatively small number of states concerned in war debts shall carry on contemporaneous but separate discussions on that subject. The second exclusion was perhaps never of great importance so far as the scope of negotiations is concerned, for it depended upon the precise interpretation to be placed upon the phrase, with particular reference to the word "rates"; that is, presumably the general question of tariffs was not excluded, but only the discussion of rates on particular articles. The initiative taken by the United States in proposing a "tariff truce" for the duration of the Conference, even allowing for the limitations of its terms, points in this direction.

The assurance of United States participation, together with the invitations sent to non-members of the League, including Russia, rendered the political composition of the Conference practically all-inclusive—indeed, it is difficult to name any sovereign states not to be represented. In practice, moreover, the range of subjects for discussion may be described as unlimited. The title of the Conference is indicative of objective rather than scope, for there is scarcely any phase of corporate human activity which has no bearing either on economic or monetary affairs.

To resume the narrative, the preparatory commission of experts set up by the League met at the end of October 1932. It consisted of nominees from Belgium, France, Germany, Italy, Japan, the United Kingdom and the United States, the Bank for International

Settlements and the League itself, the nominees of the last being nationals of countries other than those separately mentioned. About the middle of January the commission issued, as the first fruits of its labours, a "draft annotated agenda", which we summarize later. The organizing committee acting for the League at once met formally to receive this document, and resolved to re-assemble within three months to fix a date for opening the Conference. Towards the expiry of this period it was announced that the British Prime Minister would visit President Roosevelt for more or less informal, "exploratory" discussions and exchange of views covering a field even wider than that of the Conference itself. Invitations from the new President to representatives of other powers to do likewise followed in rapid succession, until Washington became the scene of what might almost be described as a house party to lay plans for the more formal and decisive negotiations ahead. Perhaps the most important aspect of these meetings lay in the fact that, while the guests were likely to participate in the Conference, the host himself would probably not be present, though possessing great powers to influence its deliberations through continuous contact with his representatives. The organizing committee for the Conference, guided by the results of these conversations, duly met and fixed June 12 for its inauguration. It is to be held in London and opened by His Majesty the King, while the British Prime Minister is to preside.

THE "ANNOTATED AGENDA" FOR THE CONFERENCE.

When the Conference assembles it will find itself well equipped with material, but two documents in particular will claim prior consideration. First, the "annotated agenda" drawn up by the commission of experts will presumably be accepted as laying down the main lines of discussion and negotiation, and this report, having been prepared specially for the occasion, will necessarily occupy a large place in the early stages of the Conference. The second is material of a less direct kind. The third annual report of the directors of the Bank for International Settlements, nominally covering the year to March 31 last, is addressed to its shareholders—chiefly central banks in most of the world's leading financial centres—but it is clearly designed to mould opinion on a far wider scale, and bears unmistakably the marks of a memorial to the World Conference. If not quite an *apologia pro vita sua*, it comes very near it. Beyond these two documents, the Conference will scarcely need to be informed as to the severity and outward manifestations of the crisis; it will doubtless find ample room for argument as to causes and therefore as to cures, and will certainly be subjected to an unceasing barrage of interpretations, remedies and preventatives from all sides. Its task will therefore be difficult, but will in a sense be rendered easier by the urgency of its business.

We propose at this stage to summarize the "draft annotated agenda" prepared by the committee of experts. The document is much more than its title indicates—it begins by outlining the principal marks of the crisis, and its notes on the agenda comprise a series of frankly expressed conclusions and recommendations. We cannot attempt in short space to cover the entire report: we must confine ourselves to those sections dealing with monetary policy. This, after all, is at the heart of the matter, for all the other items in the agenda—exchange difficulties, obstacles to the free flow of capital, tariff and other impediments to international trading—are largely the offspring of falling commodity prices, and if this trend can be strongly reversed more will have been accomplished towards permanent removal of the shackles than by any generally acceptable direct action.

What, then, is the monetary policy recommended by the experts? It consists, briefly, in the general restoration of a free gold standard and the promotion of measures to secure a rise in the level of world prices. The report lays down conditions for the fulfilment of the first of these objectives, among them "the restoration of equilibrium between prices and costs", a guarantee of "a reasonable degree of stability of prices" in the future, and "a general understanding about measures to ensure a better working of the gold standard". As a contribution to these results, countries on the gold standard (but apparently not those which have broken from it) should pursue a liberal credit policy, while those not on gold should smooth out short-term exchange fluctuations and avoid competition in the form of exchange depreciation. When the gold standard is restored, the report continues, the gold reserve requirements of central banks should be lowered and rendered more elastic, while some countries should avoid demands upon the world's gold supply by adopting an improved system of gold exchange standard. All suggestions for remonetizing silver, together with ambitious plans for raising its gold value, are condemned

out of hand. The report appears to give general approval to the main recommendations of the League of Nations Gold Delegation, which we analysed in our issue of June-July 1932, and envisages a highly important future for the Bank for International Settlements in assisting smooth operation of the gold standard.

It is not our purpose here to examine the experts' dicta and suggestions, though some of them seem to indicate that the final stages in arriving at a form of words acceptable to delegates of widely differing views were a little hurried. We find it laid down, for example, that the resources of a fund designed to secure freer movement of idle capital should be used "only under sound conditions and subject to strict supervision *with a view to preventing any inflation*", whereas a rise in prices is unanimously desired. Again, "when countries with deficient reserves [of gold or gold exchange] return to the gold standard, the new parities should be such as to be consistent with a favourable balance of payments and so attract an adequate reserve without undue effort." This means, if rigidly interpreted, that no country with deficient reserves may be a borrowing country, and implies that loans from creditor countries should be extended only to countries that do not need them; which in turn merits Euclid's brief dismissal. Apart from these inconsistencies, however, the general tenor of the experts' recommendations is clear—an early and general return to an improved gold standard, under such conditions as will secure a rise in world prices, and safeguards against future disastrous fluctuations in the value of the monetary metal.

Since this document was written the world situation which it depicted in a very brief and disturbing summary has become still more confused. A comparison of the position now with that in which the World Conference was first proposed, nearly a year ago, is even more striking. Since then commodity prices in terms of gold, and even in paper currencies like sterling, have fallen still further. Despite some alleviation of exchange and other restrictions here and there, on balance world trade has become even more difficult, and the volume of unemployment has increased. Confidence has been further undermined by more widespread default on international obligations. The United States itself, notwithstanding its large share of the world's gold stocks, has left the gold standard with no regrets and no apologies.

The Plans of the B. I. S.

At this critical point appears the third annual report of the Bank for International Settlements. Born in 1930, as a child of the Young Plan, under an evil star—surely no internationally conceived plan was ever more unhappily timed—both the sphere and the volume of the Bank's business have narrowed with the suspension of reparation payments and the steady withdrawal of central banks' balances placed with it. It has been hampered, moreover, by the provision in its statutes that it may operate for its own account only in currencies on a gold or gold exchange standard. Nevertheless, the Bank remains as an instrument of potential co-operation in monetary policy, and has busied itself, among other things, in helpful works of scientific inquiry. There is no doubt, moreover, that if the World Conference reaches substantial agreement the Bank will be vested with highly important functions and powers, and may possibly provide the core of a new monetary system set up and operated on a truly international basis.

What, then, has the board of the Bank to say? The board, by the way, consists of governors of leading central banks and their nominees. The report is devoted largely to examination of some features of the crisis, and contains valuable information not otherwise available; but, as already indicated, it also contains a description in broad outline of the part which might be played by the Bank "as a central instrument of the banks of issue in assisting to co-ordinate the proper functioning of the gold standard". The board reiterates its declaration, in July 1932, to the effect that "the gold standard remains the best available monetary mechanism and the one best suited to make possible the free flow of world trade and of international financing", adding, a little boldly, that every event in the monetary and financial field since that time reinforces its conclusion. In the closing paragraph of the report a speedy and general restoration of the gold standard is again laid down as "the great desideratum", but this time with the qualification "reformed". It is not quite clear precisely what details of reform are envisaged, but the recommendations of the preparatory commission of the World Conference and of the League of Nations Gold Delegation are approved, and it is emphasized that central banks should "combat any conception that gold is properly employable as a store of wealth, or that its primary object is to assure internal convertibility of notes";

in other words, "a more general employment of the gold bullion standard would appear desirable". Further, if the "reformed" gold standard is to be restored, "as it must be", to successful operation, "central banks should actively combat the popular fallacy to the effect that a 'loss' of gold is necessarily deleterious to the national economy". It is encouraging to find some central banks which have not been given in the past to making their views known thus committed to a more positive policy of public enlightenment. The report puts forward some recommendations aimed directly at restoration of the gold standard, as well as other proposals for alleviating financial stringency, such as agreements between debtors and creditors for relief in respect of interest and in the form of "transitional attenuations in amortization provisions", which presumably, being translated, means spreading of sinking fund payments. In general, therefore, it is clear that the board gives full support to the proposals of the preparatory commission, and is anxious that the Bank should perform the various tasks which the commission would have the World Conference assign to it. There is, in a word, no fear that, if the Conference adopts the commission's monetary plans, the machinery for their fulfilment will be lacking.

The Views of Politicians.

Both of the documents examined, however, were written before the most recent and perhaps the most epoch-making development in world economics—we refer to the action taken by the United States. Our next task, therefore, is to see how far the politicians concerned in the coming Conference have committed themselves, as individuals, in monetary affairs, and what general aims they have in view. Among the most important of the flood of statements is that issued on the joint authority of President Roosevelt and Mr. MacDonald at the end of their discussions. While, as intended, no definitive agreements were announced, some broad desiderata were clearly stated. A rise in the general level of commodity prices was considered indispensable; to that end "adequate expansion of credit" should be provided, and Governments could contribute to its circulation "by the development of appropriate programmes of capital expenditure". At a later stage "we must, when circumstances permit, re-establish an international monetary standard which will operate successfully without depressing prices and avoid the repetition of mistakes which have produced such disastrous results in the past". The official report of the discussions indicated, further, that the two participants did not accept the preparatory commission's summary dismissal of the possibilities of 'improving the status of silver".

The main monetary desiderata thus agreed upon correspond fairly accurately with other statements of policy made by President Roosevelt and his colleagues, but less closely with expressions of view by British ministers. On several occasions, for example, spokesmen of the British Government have expressed their unreadiness to recognize any possibility of achieving worthwhile results by restoring silver either to full status as a monetary basis or to a less exalted, half-way position. Further, the Chancellor has indicated over and over again that he is not prepared to agree upon a bold programme of public works designed to increase employment and raise commodity prices. The recent statement by the President of the Board of Trade, to which the Prime Minister has referred as giving the gist of our Government's policy, clearly indicated but little faith in the efficacy of monetary methods of stimulating trade recovery.

Meanwhile a more definite, though still not perfectly clear, statement of aims has been made by President Roosevelt, covering principally the internal situation but obviously bearing strongly upon international conditions. The close connection is clearly recognized in the reminder, to some extent off-set by Mr. Moley's more recent utterance, that "we can get .... a fair measure of prosperity return in the United States, but it will not be permanent unless we get a return to prosperity all over the world". As for immediate policy, the Administration "has the definite objective of raising commodity prices to such an extent that those who have borrowed money, will on the average be able to repay that money in the same kind of dollar which they borrowed. We do not seek to let them get such a cheap dollar that they will be able to pay back a great deal less than they borrowed. In other words, we seek to correct a wrong, and not to create another wrong in the opposite direction." There is, then, a definite theoretical limit to the process envisaged—the limit which marks the distinction between reflation and positive inflation. What this limit is, in practical terms, is difficult to say; if we were to assume that a return to the price level in 1928 would fulfil the conditions named, a rise of about 60 per cent in wholesale

prices and of more than 30 per cent in the cost of living would be required, and this would involve upward revisions of wages to reverse the drastic reductions in that country in recent years. Clearly, then, to translate the desideratum into accomplishment will be no easy task.

In international monetary affairs the American Government seemed at one time to desire a general return to the gold standard at new parities, obtained by reducing the gold content of units, including the dollar, at present detached from gold. A later statement, this time by the Secretary of State, indicates that, while this may still be the ultimate aim, a trial period of *de facto* exchange stabilization is regarded as the first objective. There seems, then, on the American side, no disposition to join in any early and general return to gold.

The attitude of France on monetary questions is less obscure, as is natural considering that she remains on the gold standard. The statement has repeatedly been made that France has no intention of leaving the gold standard, and that her desire is for a general return to that standard as soon as possible. Further, a passage in a recent speech by the French Prime Minister seems to indicate that a fresh devaluation of the franc, this time as part of an agreed international plan, would not be welcomed. The position of Belgium is apparently much the same. As for Germany, pre-occupation with internal politics and transfer problems makes it difficult to detect any clear indications of her policy in monetary matters, though her action in respect of the Government's external loan expressed in terms of gold might be taken to suggest acceptance of the principle of agreed devaluation. The Italian Finance Minister, in a joint statement issued after the discussions with President Roosevelt, subscribed to the view that a fixed measure of exchange must be re-established and that gold must provide that measure; meanwhile reliance must be placed upon a "synchronized international programme" of public works, coupled with credit expansion, to raise the general level of commodity prices.

The Extent of Agreement and of Uncertainty.

From this very brief and incomplete summary of views a substantial quantum of agreement emerges. It seems, first, that little difficulty would be encountered in securing general approval by the Governments of the principle of a universal return to the gold standard, subject to measures, not clearly defined, aimed at ensuring its smoother working. Further, it may be presumed that widespread devaluation of currencies could be achieved, in agreed proportions, as part of the plan for a concerted restoration of the gold standard. Next, it seems doubtful whether an early consummation of this step is now generally thought desirable; it appears to be regarded as necessary that an experimental period of exchange stabilization should precede it. The *modus operandi* during this period is not clear, but presumably what is envisaged is co-operation between central banks, or possibly between our own exchange equalization account and some similar organ in America, designed to test rates until a position more closely approaching equilibrium is attained. During that period, moreover, it appears to be intended that concerted efforts should be made, at any rate in the countries off gold, to raise the level of commodity prices. To this end a policy of credit expansion seems generally regarded as necessary, while considerable agreement exists also on the part to be played by public works. In this last respect the position of our own Government is not clear. On the whole, then, if we are to rely on official statements, not always in unequivocal terms, there is a substantial area of common ground in respect of practical policy in the monetary field.

It may thus be said that, although conditions have become somewhat more chaotic s nce the preparatory commission drew up its annotated agenda, they have in a sense become more propitious for the success of the Conference. The principal gain is that opinion regarding first steps appears to have switched from immediate restoration of the gold standard to the inauguration of a trial period of exchange stabilization. The world has come to a fuller conception of the necessity of placing first things first. The developments in the United States are mainly responsible for the change, and this fact, coupled with the comparative clarity of the President's statements of policy and the vast powers vested in him, means that the responsibilities of leadership have found a new centre in the United States Government. For practical purposes thare are two currencies—the dollar and sterling—which exercise dominant influence on the course of world economics, and for the reasons mentioned it would seem that, under present conditions and for the time being at least, greater issues hang upon the course of the dollar than of sterling.

What are these powers now vested in the President—powers which he is at liberty to exercise in part or in whole or not at all, without any further reference to Congress? First, he is armed with large powers of pressure upon the Federal Reserve Banks to undertake heavy purchases of Government secutities with a view to expanding the basis of credit: secondly, he may issue up to $3,000 millions of paper currency to repay outstanding Government indebtedness; thirdly, he may accept silver up to a limited total in payment on account of debts due from foreign Governments to the United States Government, issuing paper currency against it at any valuation he may see fit, subject to a limit of 50 cents an ounce: fourthly, he may reduce the gold content of the dollar by any proportion up to 50 per cent. Some of these powers are by no means so large as they seem at first sight: for example, the permitted currency issue, in view of the limitation of purpose, might under some conditions have little or no effect on commodity prices. Nevertheless, taken in the mass and with other measures—as, for example, the appropriations for public capital works and the powers accorded to the Secretary of Agriculture with the object of raising the prices of farm crops to the average of 1909-14—they are pregnant with great possibilities for influence on the price level. No one knows to what extent the President thinks it necessary, or likely to become necessary, and desirable to use them. It is for this reason, among others, that the dollar now takes the centre of the stage. Meanwhile the rest of the cast are in some doubt as to when their cues will be given and whether they will be of a sort to prompt confidence in response.

THE PROSPECTS.

We have not attempted in this article to argue at length the merits of any particular policy or course of action in respect of the vast problems facing the Conference, for we have thought it more useful to attempt an assessment of the community of view among those who are to exercise determining influences upon its results. We have, moreover, confined ourselves almost entirely to the monetary section of the agenda, though we are far from forgetting the importance of other objectives, particularly the alleviation of restrictions upon international trade, and of matters, such as disarmament and war debts, technically outside the scope of the Conference, yet closely affecting its possibilities of solid achievement. We believe that, even if the outcome falls short of the high hopes entertained of the Conference, it will still be possible for this country with its monetary associates—even more if the United States were to enter into partnership—to accomplish a large measure of recovery independently of all-inclusive international arrangements. Yet there can be no doubt that such arrangements, if wisely conceived and interpreted—for forms of words are particularly elusive in such matters—can bring about a speedier, more widespread and more substantial return to prosperity.

One word more. It is essential that full data should be laid before the Conference, not only as to general conditions throughout the world and suggestions for remedying them, but also as to the results achieved by various means in countries not usually regarded as among the "great powers". In these matters much is to be learned from the manner in which smaller countries, perhaps with less complex economic structures and external relationships, have grappled with their difficulties. In a country like Great Britain or the United States it is often difficult almost to impossibility to see the wood for the trees; the relative isolation of separate problems on a geographical basis is a useful help towards better understanding of world problems. Further, some of the steps taken in smaller countries with differing economic structures—Australia and Sweden are outstanding instances—would well repay detailed study for the information of the Conference. It would be easy to overlook the guidance thus to be found, and we hope that, for the benefit of the world at large, the Conference will not allow itself to become so pre-occupied with the interlocking problems facing the great powers as to neglect the hard-won experience of the small. No disparagement need be inferred from a suggestion that the fable of the lion and the mouse has great point for such august assemblies.

The Japanese Government has promised a grant of 100,000 yen towards the cost of the trade missions to India, the Near East, East and West Africa, Egypt and South America, that the Japanese Export Association proposes to send out in August or September this year. The establishment of a special organization for the promotion of cotton goods trade with the Near East has already been sanctioned by the Association, which has the support of all the leading spinners and shipping companies.

Canadian Trade and Finance.

Recent Economic Legislation in the U.S.A.

Montreal, 27th May, 1933.—A marked increase in the activity of business in the United States during April and May has generated mounting optimism which is of itself tending to produce further improvement. Iron and steel production has doubled since April 1, carloadings have risen sharply, New York State returns show an increase of nearly 3 per cent in factory employment and a greater increase in total payroll. The index of automobile production rose from 10.2 for the week ending March 18 to 43.0 for the week ending May 13. The combined index of business activity in the United States, published by the New York "Annalist", rose from 60.0 to 75.5 in this interval, and the Fisher Price Index has risen from 55 to 60.6 since the beginning of March. These definite developments are indicative of an improvement which has taken place all over the country. They constitute evidence that the public is of the opinion that the new administration has entered upon a programme which will restore general prosperity.

At the beginning of March, when the present administration took office, the banks throughout the United States were closed, business was at a low ebb and pessimism was general. President Roosevelt's inaugural address promised drastic measures to cope with the depression. It might be said that this speech constituted the turning point in the depression. The first important financial legislation to be approved by the President was the Emergency Banking Bill which gave the President authority over banking and foreign exchange, permitted the appointment of conservators for unsound banks and granted powers to national banking institutions for the issue of preferred stock. Under the guidance of the Government the banks were re-opened and business began to gain headway. During the past two months there has been an amazing amount of legislation giving the President exceptional powers to deal with the emergency. Since but little of this legislation has as yet come into effect, the improvement to date must be attributed to public confidence in the capacity of the Government to restore prices to a level which will ensure profits.

In order to outline the scope of this legislation effectively, it may be well to divide it under three somewhat arbitrary headings:

(*a*) The restoration of public confidence.

(*b*) Stimulation of industrial activity.

(*c*) The restoration of prices.

Throughout the depression great emphasis had been laid upon the lack of balance between revenue and current government expenditure. The first effort, then, of the new administration was to strengthen public confidence by balancing the budget. With this end in view, general appropriations were reduced by more than one billion dollars. These savings were achieved in the Government Economy Bill and in the Appropriations Bill for independent offices. The most dramatic movement in this direction was the reduction, amounting to more than $450,000,000, in payments to veterans. It seems as though there could have been no form of legislation which would have gone so far towards convincing the public, both in the United States and abroad, that it was the intention of the government that legislation be directed toward the welfare of the country as a whole rather than toward favouring special interests which had strong political influence. This action brought great prestige to the administration— prestige which has proved most helpful in obtaining approval for subsequent legislation.

An amendment to the Federal Farm Loan Act contains a provision that the Federal Land Banks may issue farm loan bonds to an aggregate not in excess of two billion dollars, to pay 4 per cent interest and to be guaranteed as to interest by the United States Government. Funds obtained from the sale of these bonds are to be used for the reduction or re-financing of mortgages, the extension of loans, the reduction of interest and new direct loans. Under the Home Owners' Loan Act of 1933 authority is given for the establishment of a Home Owners' Loan Corporation, this Corporation to issue bonds not in excess of two billion dollars, guaranteed as to interest by the United States Government. Provisions are made whereby home loans may be taken over by the corporation. The two Acts just referred to place mortgage-issuing institutions in a more liquid position and indirectly serve to restore confidence in a vast volume of home and farm mortgages.

In the pending legislation which also might be classified under this heading, are the Federal Securities Act and the Glass Permanent Bank Regulation Bill. Under the former measure, companies issuing securities in the United

States must furnish detailed statistics as to earnings and general financial position. Clearly it is hoped that this measure will tend toward re-establishing confidence, both in the financial institutions which issue securities and in the new issues which shall be brought out in the future. The Glass Permanent Bank Regulation Bill, which may not be passed at this session because of the rush of other business, contains provisions which would ensure bank deposits, prohibit interest on demand deposits, prohibit the receipt of deposits by other than banking institutions subject to examination, and provide for permanent government regulation of banks.

Stimulation of Industrial Activity.—The first Act passed by the present Congress, which tended to produce increased industrial activity, was that legalizing the sale of beer. The demand for this beverage has brought an increase in government revenue on the one hand, and has produced considerable employment in breweries and in organizations looking after its retail distribution.

Most of the measures under this heading are peculiarly related to those dealing with money. Since the price level is largely dependent upon the ratio between the effective volume of money and credit on the one hand, and industrial activity on the other, governmental measures to relieve unemployment by undertaking new public works must inevitably prove ineffective if the work is undertaken without a corresponding increase in the volume of credit outstanding. If such activities are undertaken when the volume of credit remains constant, or is actually being diminished, it follows that part of the existing volume of credit is, in reality, diverted from industry and commerce to governmental purposes and that no improvement in total activity will result.

On the other hand, when business confidence is at as low an ebb as has been reached during this past year, it is doubtful whether credit measures alone will produce increased prices and increased business. Under such conditions an increased volume of credit proves redundant. With these factors in mind it is necessary to realize that the measures which have been passed to stimulate business have been accompanied by other measures which give authority for the required increase in the volume of credit. The expectation that the credit and production factors will be kept abreast has made the activities of the administration at Washington peculiarly effective. A like process of reasoning classifies relief measures under this heading, since relief measures, which do not provide an increased volume of credit tend to divert funds from industry to government bonds, the proceeds of which are used for relief, and thus to reduce rather than accelerate business activity.

The Relief Act authorizes the President to enroll a Civilian Conservation Corps from the unemployed in each state, the wages to be $30 per month, food and medical care. This corps is to be employed on public works such as forestation, prevention of soil erosion and flood control. In so far as possible, these projects are to be self-liquidating. This bill has been passed. It is estimated that $148,000,000 will be required for the activities of the Civilian Conservation Corps. The Act to Relieve Destitution in the States authorizes the creation of a Federal Emergency Relief Administration which will grant to the individual states an amount equal to one-third of that State's expenditures on relief. The Emergency Railroad Transportation Act of 1933 establishes the office of Federal Co-ordinator of Transportation. It divides carriers into three groups—eastern, southern and western; it will do away with unnecessary duplication of facilities and promote the financial reorganization of the railroads. In addition to the government legislation mentioned, steps have been taken towards the voluntary organization of industry throughout the United States with a view to increasing employment and wages. These supplementary efforts have already produced favourable effects but it is as yet too early to measure these results in terms of index numbers. Most of the remaining legislation, or contemplated legislation, which might be classed under this heading is in too nebulous a state for brief description.

Restoration of Prices.—The current efforts to restore prices in the United States may be classified under two general headings: those designed to strengthen the price of individual commodities, and those which are likely to result in a general improvement in the price level. The Farm Relief Act contains a number of measures of both types. The Secretary of Agriculture is empowered to buy cotton, now owned by the Federal Farm Board, and to withhold this from the market until the Spring of 1934. He is further authorized to determine the domestic consumption of basic agricultural commodities, and to license producers in order to ensure that only domestic requirements shall be sold in the domestic market at prices equal to the

average of those prevailing during 1909-1914. Originally, this permissive legislation was restricted to wheat, cotton, corn, hogs, dairy products, tobacco, rice, beet and cane sugar, but the bill as signed provides for wide discretion on the part of the Secretary of Agriculture as to the products which are to receive this special consideration. Authority has been given to the government to lease marginal lands and to withdraw sufficient acreage so that production may be reduced to domestic needs. Under the provision of the Petroleum Bill the Secretary of the Interior is authorized to recommend quotas to the oil-producing States. Under the 30-Hour Week Bill it is provided that no commodity, except milk and/or its products, is to be shipped in inter-State commerce when it has been produced in any establishment where any person (except executives and clerical staff) works more than five days per week or more than six hours per day. Limited exceptions are provided. The classification of the 30-Hour Bill under this heading is made on the basis that it is designed to limit labour supply, and therefore to produce an increased price for labour. These last two bills have not yet been passed. The attempt to raise the price of individual commodities would seem doomed to failure if it were not accompanied by measures designed to raise the general price level. In one sense, the statement, that the prices of these agricultural commodities are to be raised to the average which prevailed between 1907 and 1914, might be taken to indicate the minimum extent of the rise in general prices called for under pending legislation.

Under the Emergency Banking Act the Federal Reserve Bank was authorized to lend 100 per cent in circulating notes against government obligations and up to 90 per cent against other paper. The influence of this measure was to check and counteract the excessive deflation of bank credit which had brought about the closing of the banks. The subsequent decision of the United States to pay its gold obligations in currency rather than in gold, confirmed the preliminary impression that a rise in prices within the United States was the most essential feature of the general programme Under the measures of the Farm Relief Act, the Treasury is to agree with the Federal Reserve Bank upon open market operations, and the Federal Reserve Banks may purchase and hold Treasury bills or other government obligations, to an aggregate sum of three billion dollars, in addition to those they now hold. If this form of co-operation is not secured, additional United States notes may be issued to a like aggregate. *Moreover, the President may,* by proclamation, fix the weight of the gold dollar but not reduce its present weight by more than 50 per cent. He may also fix a ratio between silver and gold and provide for the unlimited coinage of silver at the new rate. The President is authorized to accept silver in payment of debts from foreign governments up to $200,000,000, such silver not to be priced at more than 50 cents per ounce. Silver certificates are to be issued against such receipts. The Farm Relief Act is permissive rather than mandatory in character and constitutes the main effort of the United States to restore prices.

General financial discussion throughout the world seems to centre upon three points: Will the action taken produce rising prices in the United States? Will the rise in prices be held within due bounds? Finally, what will be the ultimate influence of this legislation upon gold prices?

Up to the present time the rise in prices has been in anticipation of the results of promised action. A number of the measures designed to restore confidence are deflationary in character and without some counteracting influence would have produced a further decline in prices. Their influence has been more than offset by the promise of steps designed to raise prices. If the anticipated measures do not materialize, the full force of the deflation will reassert itself. There is little ground for doubt, however, that the purchase of United States government securities at some rate such as $100,000,000 a week, together with a possible announcement that this policy will be continued until prices have risen to an announced level, would produce a higher price level, particularly if such action is taken in conjunction with substantial governmental expenditures on public works. The influence of the additional volume of available credit will make itself more and more effective as business activity increases. It should not be forgotten that a three billion dollar addition to the cash reserves of the banks could produce an addition of some thirty billion dollars to the total credit structure when the banks are again functioning in a normal manner. The plan is on a scale more than adequate to produce the results desired, and in all probability would not have to be carried out in its entirety. It should be pointed out that the contemplated volume of circulation in the United States is

adequate to produce a price level much more than three times as high as that which prevailed in 1926, with the present volume of production. As prices rise, however, the volume of production will increase rapidly and the contemplated volume of currency would prove sufficient to produce prices perhaps twice as high as those of 1926. The fear that prices *will rise so rapidly as to get beyond control* was responsible for the undue decline in the gold value of the United States dollar. With the embargo on gold, the value of the United States dollar fell to 18 per cent less than the value of the corresponding amount of gold. This might be interpreted as a further decline in world gold prices, since general commodity prices in the United States have risen by only 4 per cent. The rise in price of the commodities of importance in foreign trade, however, has been quite rapid so that the net influence of the action taken by the United States has been distinctly beneficial. It is this possibility of a disproportionate fall in gold prices, which may be an indirect result of currency expansion, that constitutes the danger against which deflationists have been warning the world. It is only by means of currency expansion at a slightly greater rate than expansion in production that an effective price rise can be secured, and it is only by this means that dollar prices can continue to increase without precipitating a further decline in gold prices. Moreover, if the new *gold supplies of the world are diverted to* the few countries now remaining on the gold standard, a rise in gold prices must take place.

The remaining question is that as to the capacity of the government to prevent an undue rise in prices carrying the price level far above that of 1926. To the extent that the new credit is created as the result of the purchase of government securities by the Reserve Banks, the sale of a like amount of securities will permit the Reserve System to curtail credit. It is for this reason that some of the best economic authorities hope that the United States will confine its price-raising efforts to an open market policy. International financial authorities seem to hold the uniform opinion that there should be no resort to changing the weight of gold in the dollar unless there is international agreement to do likewise. Without doubt the difficulties in preventing an undue rise in prices would be greatly accentuated if the value of the dollar were once changed. Some time ago John Maynard Keynes suggested that if the Federal Reserve Banks of the United States were given the power to regulate the volume of reserves required by the Member Banks, this authority would give the Reserve Banks a leverage for the control of the price level. At the time the suggestion was made it was quite evident that a reduction in reserves would permit an expansion in credit tending to raise prices. If it is the purpose of the United States Government to stabilize prices at about the level which prevailed in 1926, it is most important that the means to secure such stability be studied with great care in order to prevent the rise in prices getting out of hand. The necessity for particularly powerful means of control will be greatly increased if the gold value of the dollar is changed.

The Industrial Recovery Bill, which was sent to Congress on May 18th, combines a plan for Federal direction of business under codes of fair competition with an outlay by the Government of $3,300,000,000 for public works. Under this bill the Government is given wide powers over business, with a view to preventing undue price cutting and other practices which are included under the heading of unfair competition. In the provision relating to public works there is a plan for the stimulation of industry, but the success of this plan seems entirely dependent upon an expansion of credit to take care of the funds required. The one great danger in the whole programme lies in the possibility that credit will not be sufficiently expanded *to prevent a diversion of credit from industry* to Government works. It should be re-emphasized, particularly in the early phases of recovery, that credit expansion must be more rapid than expansion of production if the price level is to be raised.

Foreign Relations.

Foreign Relations.—Disturbed conditions in the Far East, political difficulties in Europe and the threat of wars in Latin America have dampened hopes as to the recovery of international trade. So far as foreign relations are concerned, President Roosevelt has said that he will ask Congress for authority to deal with tariffs and war debts. At the time of writing no definite action on these subjects has been initiated. For a general return of prosperity it is essential that there be a tremendous recovery in international trade. How far it will prove possible for international trade to recover without tariff reductions, is most problematic. While the United States is a country with resources sufficiently varied to make it largely self-dependent, there is

little hope that general prosperity can be secured when the rest of the world is in the depths of a serious depression. To achieve general recovery there must be thorough-going international co-operation. The cordial approval which greeted President Roosevelt's address of May 16th gives great grounds for hope that the nations of the world realize the utter necessity for this co-operation and will find themselves prepared to make the necessary mutual concessions.

AN ECONOMICS FELLOWSHIP.

The Royal Bank of Canada offers a Graduate Fellowship amounting to One Thousand Dollars to the student of a Canadian university wh writes the best essay on a Canadian economi problem. The rules of the competition ma be obtained from the Economist's Department Royal Bank of Canada, Montreal. The sub jects for the papers to be submitted by March 1 1934, are as follows :—

An analysis of a Canadian industry.

The restoration of international movements o capital as a basis for an increased volume of trade

The discussions and results of the World Economi Conference.

The future of the export trade in Canadian agri culture.

Possible development of power-using industrie in Eastern Canada.

Notes from London.

The Historical Background of the White Paper.

London.—The author of the best constructive analysis of the White Paper, which should be in the hands of every member of the Joint Select Committee and all who are anxious to arrive at a fair and balanced judgment on the proposals, Sir John Thompson, was concerned more with the past than the present in his lecture to the East India Association last week. Some idea of the way in which India has been brought to the present point of political development is essential to a proper understanding of the constitutional problem. In large measure, as Sir John Thompson said, political advance in India is merely a form of British self-expression. We sowed the seed, be it wheat or tares or dragons' teeth, and the harvest follows true to type. We had to take it as it came and make the best of it.

"It is we," Sir John Thompson proceeded, "who deliberately, out of great division of opinion, decided to give to India English education and education in British ideas. It is we who, in spite of warnings, decided to Indianize the Services. It is we who, braving much ridicule and opposition at the outset, have developed the machinery of local self-government. It is we who, in the face of much gainsaying, have gradually admitted Indians to the higher Councils of the country and we who have started them on responsible government. It is we who, in disregard of misgivings, have given the Princes the power of combination and amalgamated their weak and isolated units into a powerful union, and we who have deliberately brought Indian Princes and Indian commoners on to the same platform with the representatives of the United Kingdom, the Great Powers and th Dominions."

There are undoubtedly widely conflictin views as to the precise value of each of these courses of preparation for democracy and self-government that we have given to India There can be no doubt, as Sir John Thompsor said, as to their cumulative effect. Th course of events, moreover, had been sc characteristic of ourselves—our persevering belief in the merits of British institutions, ou conscientious desire to communicate their benefits to those who had been placed in ou charge, our intermittent misgivings as tc the reactions to what we had done, and ou not infrequent blindness to the logical consequences of our actions. But one fact stood out clearly from all this conflict of motives that when we had to make a decision it had never yet been a decision to turn back. Ever at the present time, although there were many who felt that the White Paper went too far, there were practically none whc were not in favour of some advance. We must go ahead towards the goal that we had fixed.

The policy of Federation with partial responsibility at the centre and full responsibility in the provinces, which in broad outline obtained so favourable a Parliamentary reception in December, 1931, had now to be examined in detail, with an earnest desire to find a solution on those lines, if it is in any way possible. Unless Parliament were convinced, after the fullest consideration, that no such scheme can be devised which the United Kingdom, British India and the States

would agree to work, the triple basis must stand.

In the course of the interesting discussion which followed, Lord Lamington, who presided, in the absence of Lord Reading, detained by his work on the Joint Committee, was anxious to know what the position would be if the requisite proportion of the States decided against entry into Federation. The Chairman's misgivings were in part dispelled by Sir Manubhai Mehta, who pointed out that the adherence of the Princes to the Federal ideal at the First Round Table Conference was no more than the logical conclusion of the solution suggested by the Maharaja Gaekwar of Baroda as long ago as 1917. Such divergence of opinion as existed among the Princes, the Prime Minister of Baroda added, had now largely been composed, as was shown by the recent election of two leading Confederationists—the Rulers of Patiala and Dholpur—to be respectively Chancellor and Pro-Chancellor of the Chamber of Princes.

At the same time he made it clear that, if the States were looked upon as providing a stabilizing influence in the Federal Legislatures, it was incumbent upon Parliament to see that their representation was made more adequate and effective than the White Paper proposals at present provided. Sir Manubhai Mehta also confirmed the report that, as the States have failed to reach agreement as to the equitable divisions of States seats *inter se*, the question will have to be referred to His Majesty's Government for final decision. Sir Michael O'Dwyer found a redoubtable opponent in Sir Annepu Patro, another delegate to the Joint Committee, who pinned perhaps extravagant hopes of the additional cost of the new system being offset by substantial reduction in military expenditure.

RUBBER RESEARCH.

The House of Lords has given a second reading to the Rubber Industry Bill, which provides for contributions by rubber manufacturers to the Research Association of British Rubber Manufacturers, and which has now been adopted as a Government measure. Lord Irwin explained that the Government would not have made themselves responsible for the Bill had they not understood that the overwhelming majority of the trade were in its favour. The Bill was necessary because a minority of firms were obdurate against subscribing, though the great majority preferred a levy to any other form of contribution. The rate of contribution is calculated to produce an annual sum of £15,000, and Lord Irwin stated that the association, the staff of which has been reduced already to a care and maintenance basis, will have to be closed down for lack of funds if the Bill is not passed before the end of the session.

BRITISH ASSOCIATION FOR THE ADVANCEMENT OF SCIENCE.

Annual Meeting (103rd year) at Leicester, September 6th—13th, 1933. The British Association seeks to promote general interest in Science and its applications, and its Annual Meeting affords unique opportunity for conference and co-operation between scientific workers and others interested in all departments of Science. The Association relies upon a full membership and attendance at its meetings to assure the support of the numerous scientific researches and other activities carried on under its auspices. Particulars may be obtained on application to the Secretary, British Association, Burlington House, London, W. 1. The Presidential Address, by Sir Frederick Gowland Hopkins, will deal with Life in its Chemical Aspects. Among the principal subjects expected to be dealt with in Sectional Addresses and Discussions are the following:—Seasonal Weather and its Prediction. The Past History of the Earth. Industrial Physics. Natural Colouring Matters and their Analogues. Hormones. The Chemistry of the Tanning Process. Structures of some British Coal-fields. The Possibility and Desirability of Greatly Increasing the Production of Gold. The Mechanical View of Life. The Growth of Population in the Midlands. Regional Planning. The Gold Standard. Some Experiences in Mechanical Engineering. Noise. What is Tradition? The First Crossing of the Great South Arabian Desert. The Activity of Nerve-cells. Genetics. The Status of Psychology as an Empirical Science. The Development of a National Educational System. The Cultural Value of Science. Chemistry and Agriculture. Land Drainage Problems. Milk, its Handling and Food Value. Evening receptions, and excursions to points of scientific interest, works, etc., in the locality, will be arranged. Provision for the accommodation of visiting Members, etc., is in the hands of a Local Committee.

COTTON CONGRESS—ASIA'S RAPID ADVANCE.

Five hundred delegates from over 20 countries, including the United States and Japan, assembled recently at Prague for the Sixteenth International Cotton Congress. Mr. R. Morawitz, of the Czechoslovak Manufacturers' Association, presided. In a message

from the English Federation of Master Cotton Spinners, Mr. W. H. Catterall, its president, said that the cotton trade is insufficient to go round, and therefore the people engaged in it press for tariffs and subsidies partly because they have failed to provide effective restoratives. "Here and now," he added, "we suggest that concentration on the means of increasing world trade is the only satisfactory course." Much attention was given by the congress to a remarkable report on the causes of depression and the means to overcome them, read by Mr. Otto Bankwitz (Poland). "The main causes of our troubles," he said, "are the migration of the industry from Europe and the United States to Asia, and the fear that Africa will follow the lead. Since 1913 the yearly consumption of cotton by Europe has declined by 3,410,000 bales, and by the United States by nearly a million bales. In the same period Asia has increased her consumption by 3,681,000 bales. The progress of China has been even more rapid than that of Japan, partly because the Japanese own nearly one-third of the mills in China." On the subject of hours of work Mr. Bankwitz pointed out that Japan and China, having the double shift system in use, work more than double the number of hours of other countries, and the reduction in the cost of production thus brought about had caused Western countries to be burdened by large quantities of redundant machinery which must be got rid of. "It would be impossible," Mr. Bankwitz added, "to enforce throughout the world equal hours of work, but in Czechoslovakia, Austria and Poland such agreements have been reached. We can hardly hope that Japan will give up her double shifts, but she may be influenced by India's suggestion that countries which operate the double shift system must pay higher import duties than other countries."

Concluding, Mr. Bankwitz said the best policy was for all countries to come to an understanding. If Great Britain wished to co-operate with the Continental countries from the start in this enterprise the Continental countries would be only too happy.

GERMANY'S DEBTS.

Germany's foreign creditors, including representatives of London banking and acceptance houses, have been called together to hear a grievous account of her finances and of the disasters that might conceivably overtake the mark if even the existing very restricted scale of payment were maintained. It cannot be denied that the necessity again to make representations of her difficulties in meeting foreign liabilities in spite of the modifications in the land "standstill" agreement has created much disappointment among her creditors. In the late months of 1932 indications all pointed to steady improvement in Germany's position and encouraged the hope that "standstill" arrangements would die a natural death in the near future. It is impossible to escape the conclusion that one of the factors which have caused the admitted change for the worse in the last few months has been the political developments in Germany. As an inevitable outcome of those developments the demand for marks has fallen off, export trade has been rendered more difficult, and even such an item as the tourist demand for German currency has clearly been prejudiced by the political upheavals. Meantime Germany's creditors must perforce take a realistic view of the existing transfer difficulty, whatever its causes. While creditors have little option in the matter it is to be hoped that the German authorities realize that later on when it may be hoped conditions will have greatly altered for the better throughout Europe, Germany's ability to command foreign credits will be affected by the terms she finds herself able to make in the existing circumstances.

THE SILVER QUESTION.

The Bank of China is endeavouring to make good the admitted deficiency in statistical information regarding economic and financial conditions in China and now issues economic and financial information and statistics; it is one of the founders of the recently established Bankers' Co-operative Credit Service. In the course of the review of conditions in China contained in the report interesting references are made to the price of silver. The question is regarded entirely as it affects China, and it is pointed out that low silver tends to stimulate Chinese exports and to curtail imports. It is suggested that had it not been for the fall in silver China's export trade would have suffered even more seriously than has actually been the case. On the other hand plans for the development of railways and the establishment of new industrial enterprises may be retarded by a low price. The conclusion reached, however, is that what China needs most is stability in the rate of exchange. This, of course, is true of every country, but the deduction drawn from the report is that stable silver exchanges above the current level would give an impetus

to China's economic development by rendering it easier for her to import the requisite materials.

THE BUILDING SOCIETIES' CONGRESS.

The meeting in London of the International Congress of Building Societies has naturally drawn renewed attention to the rapid progress made by the movement since the War. But, as the Societies' representatives have themselves emphasized, the movement's very progress has brought it to a transitional stage which is not without its problems.

Of these the most significant is the influx of funds attracted by relatively high society interest rates, and which seek a temporary resting place, pending more active use in industry, rather than permanent investment in property. This, however, is a temporary problem. It is more important that in the near future the Societies are likely to find a shortage of good mortgage business, although several influences will contribute to further expansion of demands upon them in due course.

The leaders can be relied upon, however, to take steps required to maintain the progress and strong position of the Building Societies. Members and prospective members can continue to regard their securities as offering sound, readily realizable investments with better-than-average yields.

JAPANESE COMPETITION.

Recently Members have had an opportunity to consider the very interesting statement which was made by Mr. Colville, Secretary to the Department of Overseas Trade, on the question of Japanese trade competition. The point was raised by Mr. Levy, the Unionist Member for Elland, who declared that no European country could compete with Japan under present conditions. Japan was consequently taking away our markets at home in the Empire, and in foreign countries. Mr. Colville assured the House that it was not lack of appreciation of the serious nature of the problem that caused the Government to move cautiously in the matter, but it was an immensely complex problem which ought not to be dealt with piecemeal. He revealed the fact that at the end of April Mr. Runciman saw the Japanese Ambassador and placed before him the gravity of the position. The suggestion was made that in the first place an endeavour should be made to arrange a conference between Japanese industry and industry in the United Kingdom with a view to the mutual allocation of markets throughout the world. A reply to this suggestion has been received from the Japanese Government and is now under consideration.

Economic Notes.

Irrigation under Lloyd Barrage Canals.

This month's Canadian letter contains a summary of the recent legislation in the United States. It points out that the rise which has taken place to date was based upon the anticipation of measures designed to raise prices, but that as yet no definite action has been taken in this direction. It suggests that such action is essential if the rise is to continue. It also deals with those measures which are deemed necessary if inflation is to be prevented from getting out of hand. Since the Roosevelt programme is of utmost importance in restoring prosperity, not only in the United States but also in other countries, this summary may be of particular interest.

Final figures are now available to show the results of the working of the Lloyd Barrage Canals in the rabi season of 1932-33 which was the first rabi season with controlled supplies of water available in the perennial canals in Sind. The total area irrigated during the rabi season was 11,55,067 acres, of which the area under wheat was 7,00,230 acres. The total acreage is nearly 30 per cent in excess of that forecasted for the initial rabi season and this excellent result seems to promise the rapid expansion of rabi cultivation in the new conditions in Sind. It is pertinent to note that in the tract under command of the Lloyd Barrage Canals the average area under wheat during the five years ending 1930-31 was 1,83,043 acres only. The area irrigated in the kharif season 1932 was 13,45,000 acres, so that, in the first full year of operation of the Lloyd Barrage Canals, a total area of 2,500,067 acres has been cultivated under irrigation. This represents more than 37 per cent of the whole cultivable area commanded by the canals, or 48.5 per cent of the ultimate area of annual cultivation under the canals at final development, as forecasted in the project.

CANADA'S TOURIST TRADE.

A review of Canada's tourist trade during 1932, just published by the Canadian Dominion Bureau of Statistics, reveals the somewhat

surprising fact that, in spite of the depression, this industry has been relatively well maintained. *During the year just closed more* than 14,000,000 tourists from the United States visited Canada for periods ranging from one day to six months, while some 11,000 came from overseas countries. In the same period about 30,000 Canadian tourists travelled to overseas countries and about 1,500,000 to the United States. The review points out *that tourist expenditure constitute a highly* important source of revenue, which has an appreciable effect on the country's balance of payments. The "invisible export" represented by the tourist trade ranks in importance with wheat and paper and during the past few years of drastic price deflation has surpassed them both. Here is something *for Mysore and India generally to take note of.*

FUTURE OF ADEN.

The *transfer of the administration of Aden* is now receiving the consideration of His Majesty's Government and the Government of India in connection with the impending constitutional changes. Full opportunity will be given for discussion by the Indian Legislative Chambers during their next session and for all interests concerned to state their views. *Meanwhile, His. Majesty's Government think* it would be convenient that considerations which suggest the desirability of the transfer of the administration and conditions that would be entailed by such transfer should be made known so that the problem can be discussed with full knowledge of the facts. The reasons which suggest that Aden should not *remain linked up with India under the* new constitution are that it is an area geographically remote from India, that it would not naturally fit into the new federation, that it is already to some extent under Imperial control and that it is inseparable in practice from the Aden Protectorate, which already passes wholly out of Indian control. If *it should be decided that the administration* of Aden should be separated from that of India His Majesty's Government contemplate that the following conditions be established: (1) India would be relieved of the annual contribution approximately of £150,000 or Rs. 20 lakhs, at present payable towards the military and political administra*tion; (2) the right of appeal in judicial cases* to the Bombay High Court would be maintained; (3) His Majesty's Government would maintain the existing policy of making Aden a free port unless some radical change in the present economic situation should take place. From their own point of view the abandon*ment of this policy would clearly* in the existing conditions be financially unsound since the prosperity of Aden largely depends upon its transit trade; (4) His Majesty's Government would do their utmost to maintain the present standard of administration and would not impose any additional taxation unless such a course became, in their opinion, *absolutely necessary*: (5) the proportion of Indian Service administrative personnel would be retained in Aden service for some years after the transfer took place; and (6) no racial legislation or segregation would be permitted by His Majesty's Government.

DISCUSSION ON INDIAN BUDGETS.

One of the soundest, as it is one of the most moderate, criticisms of Mr. Chamberlain's Budget is made, as usual, by the *Economist.* It asks, 'What of the future?' and says, 'To achieve an arithmetical balance on paper to-day, without attempting to lay foundations *which will stand the strain of to-morrow*, is the part of a ledger-clerk, not of a statesman.' Exactly. This was the refrain of many a criticism of Indian Budgets uttered by Sir Dinshaw Wacha. And we commend it to our Finance Members. To the *Economist,* 'the vital question is not whether the balance of this Budget is meticulously secured, but *whether the Government has a policy calculated* to raise the taxpayers' resources to a level capable of sustaining next year's burden.' Has ever an Indian Government or Finance Member taken this larger view of financial problems? There can be only one answer true to facts, and it must be in the negative. The *Economist's* last criticism is directed *at the Government as a whole.* 'A Government,' it says, 'which lacks the will or the courage to stimulate economic activity by a bold loan policy outside the Budget gives the Budget-maker an impossible task.'

PAYMENT IN SILVER.

The instalment of December last of the War-Debts was paid by Britain to the United States in gold. The offer to pay a percentage of the June dues in silver at 50 cents per ounce has been accepted by President Roosevelt, and it is reported that payment has been made with silver acquired from the Govern*ment of India. We do not concern ourselves* here with the implications of this transaction between Britain and America on the broad question of War-Debts settlement. Before the question is discussed in London it is nothing

better than speculation to say that the percentage paid of the gross payment due offers a clue to the ultimate basis of settlement of inter-allied Debts. What we would like to know now is whether India has been paid in gold for the silver sold to Britain, and what is the rate at which the silver has been bought and sold. In a statement to the Press Mr. Naliniranjan Sarkar points out that though the Hilton Young Commission suggested acquisition of gold in exchange for silver, it is perhaps to be presumed that payment has been received on behalf of India in sterling securities only. We ought to have been told by this time what has been the form of payment. Further, what has been the price? America agreed to a price whose object was evidently to help silver rise to a higher level. But has India received any less? We quote the statement:—

> "Exact figures are not at present available to us. From Press reports it would seem that when the market price was about 36.5 cents per fine ounce Britain acquired silver from India at about 32.5 cents and sold it to America at 50 cents, and that with silver acquired from India after payment of about 1.6 million sterling, Britain has been able to clear debts of the value of £2.5 million, making a profit of more than one crore of rupees. For the sake of international financial decency, let me hope that these figures are not correct. If they are, I can only characterize it as the most shady international financial transaction in recent years."

We hope that the reports are wrong, and that an announcement will soon be made which will dispel doubts.

Ottawa Aftermath.

Report is issued of the Imperial Committee on Economic Consultation and Co-operation, appointed as a result of the Ottawa Conference resolution. The report is signed by 15 delegates representing the various parts of the empire, including the Indian delegates, Sir Atul Chatterjee and Sir Padamji Ginwala. The principal recommendations of the Committee are divided into three heads, namely, (*a*) scientific information of services and research activities; (*b*) economic intelligence and enquiry; and (*c*) general recommendation regarding the organization of agencies for inter-imperial consultation and co-operation. The Committee *inter alia*, recommends that as from the 1st October 1933 the cost of services which they propose should in future be conducted by an Imperial Economic Committee and by imperial shipping. The cost of the Committee should be met from a fund to which several governments of the Commonwealth should subscribe and that at the outset from this fund should also be met the cost of such additions to headquarters expenditure of the Executive Council of the Imperial Agricultural Bureau as may result from their recommendations. In this behalf the total fund to be raised will amount to £24,000. The Committee propose that several governments should agree to contribute for three years from the 1st of October, 1933. After considering the statistics of the general trade exports from each part of the empire to other parts and the agricultural production of each part of the empire and the benefits likely to be received, the Committee recommend the adoption of the following scale of contribution:—

United Kingdom and the Colonial Empire—£8,400; Canada—£3,840; Australia—£3,360; India—£2,880; South Africa—£1,920; New Zealand—£1,920; Irish Free State—£960; South Rhodesia—£480; and New Foundland—£240.

The Committee add: "As a general rule, to which, however, exceptions may at times be necessary, the imperial organizations should serve only those members of the Commonwealth that subscribe to their funds or pay for such services on fee bases."

Income-Tax in France.

Some drastic proposals have been put forward by the French Minister of Finance in relation to the assessment and collection of Income-Tax, so writes the "Incorporated Accountants' Journal". Under these proposals Income-Tax in France is in future to be assessed not only on the tax-payer's own sworn declaration of income, but also on a number of external indications of revenue based upon rules laid down for the guidance of the assessing authorities. For instance, when the tax-payer has sent in his annual return the officials are to make another assessment of their own. If the total income declared is less than the official assessment the latter is to prevail. If it should be more, the presumption appears to be that the official assessment will not be brought into operation. Amongst the external indications of income the rental value of the house occupied by the tax-payer is to be trebled so that a person paying an annual rent of £250 will be assumed to have an income of at least £750. Under the proposed

new regulation any tax-payer who fails to pay or whose statement of income does not conform to the official assessment is liable to fine and imprisonment.

NEW INDIAN LEGISLATURE.

Replacement of the White Paper by a scheme providing for representation of the British Parliament in the Indian Legislature and *vice versa*, was advocated by Colonel the Right Hon. J. C. Wedgwood, a Labour M.P., in evidence before the Parliamentary Select Committee reporting on the Government's proposals for constitutional reforms in India. In the new Indian Legislature, Col. Wedgwood suggested, there should be 30 representatives of the British Parliament, 10 constitutional representatives of States, 40 (temporarily) nominated representatives of communities, 70 members indirectly elected by the provincial legislatures, and 10 British officials. He demanded adult suffrage and a common electoral roll so as to dispense with communal representation. He criticized the White Paper scheme as the most extraordinarily reactionary Constitution ever put forward in Britain.

MANAGING AGENCY SYSTEM.

That there is an urgent need to replace the managing agency system by a more suitable and equitable method, was stressed by Mr. A. M. Kajiji, president of the Bombay Shareholders' Association, in the course of a speech at the first quarterly meeting. The cause of the present evil, he said, lay in the multiple personal interests of the managing agents which had blurred their vision to such an extent that nothing good could come out for the industry if it affected the pockets of the managing agents. There was too much individualism and too little collectivism and under the circumstances no investigations into the methods of work in foreign countries, however scientifically carried out, would do much good unless the whole system of management in India of which there was no parallel in the whole world was rationalized in such a way that it could be adjusted to the changing needs and requirements of the industry.

SECRET OF JAPANESE SUCCESS.

The whole secret of Japanese success in East Africa lies, says a correspondent, in the supplying of cheap goods at prices with which no other country can compete, and there is often as much as 100 per cent difference between the prices of the Japanese goods and a similar British article. Such wide differences in price must not be taken as indicating that Japanese goods are shoddy manufactures. Quite a number are standard lines of good quality. Japan's opportunity has been improved by the fact that East African purchasing power has declined considerably during the past three years. With the exception of Uganda cotton and some coffee in Uganda and Tanganyika, the native African is a producer of small units of low-value commodities, so that while, in the aggregate, his purchasing power is considerable individually it is very restricted. Naturally he turns to imported articles where considerations of price outweigh quality. The more sophisticated native, however, has his own idea of quality, and has not been slow to describe Japan's goods, not always in flattery, as "Japaneesi". Another factor, of course, is the small Indian trader. There are very few Japanese in East Africa, and their trade is handled by the Indian, whose small shops are scattered throughout the native and settled areas or huddled together in the town bazaars. His chief customer is the native, and he must stock what the native can buy. But there is little profit in it. Designs and native likes and dislikes change rapidly, the price of Japanese goods is continually falling with the decline of the yen, and consequently the Indian has been lucky if he has made any profit at all. He has certainly had to take all the risk. The Japanese do not give extended credit and prefer cash. Nor have they hesitated to copy standard British lines and designs in cheaper varieties when they wanted the market, making a further change as soon as they had cleared their stocks.

The completion of the work of the Statutory Railway Board Committee in London has, naturally, resulted in forecasts of the nature of its report which will be submitted to the Joint Select Committee. Such forecasts do not appear to be well informed. There is, however, reason to believe that the committee has advised that the railway administration in the federal scheme should be entrusted to a statutory authority whose policy should be fully controlled by the federal government. The day to day administration would be managed by the Chief Commissioner assisted by a financial commissioner. The committee was unable to arrive at any unanimous conclusion about special representation of Muslims on the Railway Board which was recommended by one section of the committee.

Current Comment.

By "Scrutator".

The refusal to see Mahatma Gandhi is likely to prove a calamity. No Government, however strongly it governed, can afford to lose an opportunity to get over an impasse. Such an opportunity does not occur every day and of the worst things that could happen to a Government are lost opportunities. No doubt the Mahatma says he is ready to keep the door open. But even he, the good and true man he is, may find it impossible. Circumstances over which he may have no control may force him into situations which might bar any negotiations on his part. As we write, we hear of the sensational news of his breaking up the Asram to which he has given the eighteen years of his most precious life-time. What may follow it—and what may be the meaning of it all—not to himself only but to the rest of the people of this country—is difficult to say. But that grim resolve is enough to show that all cannot be well with the position of those in authority. It cannot be that the Government refuse to recognize his leadership; it cannot be that they refuse to disregard his protestation for peace; and it cannot be that they are not themselves for peace or that the country is not for peace. If peace be the common end and aim of all the parties concerned, why then make bones of the manner of making it? To say that Congress or the Mahatma is standing on prestige is to say an untruth; for he and the Congress being one, and he being the party proposing peace, where is prestige there? If clear thinking is still a virtue in this land, there can be only one answer to this question. Are Government then for a fight to the finish—a crushing of the Congress, as they say. Is that possible? No sane man dreams of that, even though, as the Mahatma has done, the Congress associations and all their secret diplomacies are abolished. For, it requires little imagination to realize that the Congress is the Country and the Country is the Congress. The deeper feeling for what the Congress stands is as steadfast as ever and only a radical change in the system of Government can make that feeling yield. The Congress now suggests peace, but the time may soon come when the Government may desire an organization like the Congress to negotiate with. The Congress, to be sure, stands for honourable traditions, peaceful methods, non-violence, and moderate ambitions. The left wing that—as the result of Government's mishandling of the Mahatma—will now probably develop, will perhaps prove a wholly different proposition. That is the calamity before the country as much as the Government and if it is policy still that stands in the way, the Government would do well to reverse it before they throw away the chance that still lies before them.

* * *

The Press telegrams indicate a strong tendency to indicate the identity of a writer in this week's *Servant of India*. Since it is not signed and appears in the leading article column, it is not our purpose to attribute its authorship to any but the Editor, who must be presumed to have assumed personal responsibility for it. Whoever the writer, he has ill-served the country in the remarks he has offered about the Mahatma. If he is a friend of his, he cannot enjoy peace within himself; if he is a friend of the Congress, he cannot feel he has spoken the truth. For one thing, to suggest that Congressmen have desired to come out of prisons with a view to go back, is baseless. It is non-Congressmen who have yearned for their liberation. No true Congressman has been guilty of it. Smart writing is like smart dressing; dirt sticks to it quickly. If the writer desires to shine as a good Moderate, there is no reason why he should not do so, by virtue of his work. If he desires to assume the role of a friend of the Congress, he should do as a friend—true and faithful. And if an enemy, he must be the "inverted" friend he should be. But callousness, misrepresentation and falsification of the other fellow's position can never do good. The other party does not bother to attack, but that is the very reason why a critic should be careful not to assume the role of a friend which he may not be.

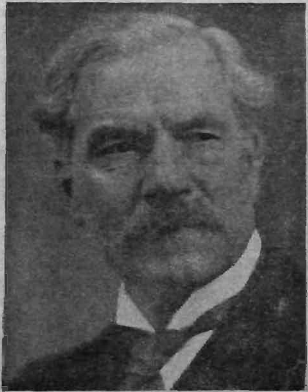
* * *

The *Manchester Guardian* has been tabooed from Germany. The British papers to hand mention the fact rather feelingly and refer to a representation of the Newspaper Society to the German Ambassador in Britain to lift the ban. Among the reasons advanced by the Society is one contained in this little sentence: "The tradition of the freedom of the Press and the circulation of news and views upon all topics is deeply rooted in the people and the press of this country. It automatically follows, therefore, that when

THIS MONTH'S PICTURES

Mahatma Gandhi
who has announced the abandonment of the famous Sabarmati Asram.

Sir M. Visvesvaraya
who recently delivered a striking Address on *Industrializing India* in Bangalore.



The Right Hon'ble Mr. Ramsay MacDonald
Prime Minister of England
who opened the World Economic Conference.

Sir R. N. Mukerjee
one of India's foremost Industrialists who has just attained his 80th year.

any government takes action to prevent the circulation of a particular newspaper the resulting reactions of opinion in this country are not favourable. The Society is of the opinion that the friendly feeling towards Germany, already existing in the United Kingdom, would be strengthened if the ban on the *Guardian* is raised, and it is upon this basis, more than any other, that the Society asks the German Government to give this memorandum its sympathetic consideration." That is well said and deserves to be sent up by the Society to Sir Samuel Hoare, the Secretary of State for India, with a memo of the papers suppressed in India and the amounts lost in the shape of deposits for the sake of what the Society terms "the circulation of views and news upon all topics". Has the Society ever done anything like what it has attempted for the *Guardian* in Germany? No wonder a sturdy Indian fighter drove home the lesson by a letter to the Society in which he summed the Indian position in regard to the Press *vis-a-vis* the Government and said 'Are you speaking the truth to the German Ambassador? We Indians deny you are and we maintain that you are worse criminals than Hitler in repression of the Press in India and in banning many publications from Britain or from Europe from entering India." We cannot say he was wrong, though the Society would perhaps plead ignorance of the Indian position. But a Society that is not wide awake cannot deserve pity even from the Germans. Let us hope that the German treatment of the *Guardian* will open the eyes of the British press to the position in India in regard to the press. That might result in greater good to Britain than even the lifting of the ban in Germany on the *Guardian*. It cannot be the *Guardian* has greater interests in Germany than in India or even that the Society is less interested in India than in Germany.

* * *

The World Economic Conference has ended what may not inappropriately be called despair. Of course, it is only adjourning. There is the Bureau to do the rest, the Conference being still alive to be put on its legs whenever required. The *Journal* of the Conference shows the work attempted to be done from week to week. But the net result has been poor. It cannot well be better, when the 'World" is made to consist of 'Europe and America"—with Japan added and India represented through Britain. The fact of the position is the markets for Europe and America are in Asia and unless Asia—primarily India and China, where live the teeming millions of Asia—is brought round to view the position with equanimity, there can be no change in the economic position of the manufacturing nations of the West. When this single fact is better recognized, then will come the solution that will prove satisfactory to the three continents concerned. Not till then, if the truth is to be told frankly.

* * *

As we go to Press, we hear of the lamented death of Mr. Sen Gupta. That sad event seems to have occurred all too suddenly. The very type of a high-class Indian politician, he was both an ardent and an honest man. He filled a position in Bengal which was the envy of his compeers. He was but forty-eight and that shows the tragedy of it all. The country has lost the services of a great worker and none can feel happy at recurring losses of this type. That a system of Government in which the abilities, the talents and the patriotism of leaders like Mr. Gupta could be utilized to the fullest extent is still a desideratum in this country is a sad reflection that cannot but occur to any thinking individual to-day. A line of Shakespeare occurs to my mind, which I set down here with but a small change—

> Governments themselves wept when it was reported.
>
> Such was Sen, good Sen and honest Sen; Sen who is dead but very much alive.

Lord Rothermere writes:—"Those whom the gods wish to destroy they first make mad. Was there a more convincing instance of the truth of this aphorism than our politicians' Indian madness? Britain is in a tight fix. It has to find £1,000,000 daily to pay for its overseas foodstuffs. Yet at the very moment when the task of finding this money was never so difficult every effort is being made in responsible quarters to throw away India, the main source of our wealth. The three great departments of state—the India, Colonial and Foreign Offices—have since the war been engaged in a task of Imperial sabotage." Comment seems needless.

An Italian statistical agency has calculated that every minute 2,00,000 matches are struck throughout the world.

Topics in the Journals.

Middle Class Unemployment.

Unemployment among the *bhadralok* youths of Bengal is one of the major problems which various departments of the Bengal Government have been attempting to solve for some time. In the Faridpur district efforts have been made by the Department of Agriculture, *in collaboration with the Collector of* Faridpur, to bring about a solution and the result of that effort formed recently the subject of an interesting "talk" by Rai Sahib D. N. Mitra over the wrieless from the Calcutta station.

A scheme dealing to some extent with the question of unemployment was introduced in Faridpur in March 1928 by the then Collector, Mr. Burroughs, as experimental measure for three years only, but in view of the satisfactory results obtained during those years this scheme is still being continued. In accordance with the provisions of the scheme, said the Rai Sahib, five *bhadralok* youths of the Faridpur district with some amount of general education are trained *annually in agriculture at the Government Farm at* Faridpur and at the end of a year's training are proided with 15 bighas of *khasmahal* land each.

How They Work.

Each of the youths is required to work as a common labourer of the farm and is given daily wages at the rate of Rs. 12 a month. He is required to work for seven hours a day and he gets no wages for the days he remains absent from his work on account of illness or for some other reasons.

The object of giving the youths daily wages for their work instead of a monthly stipend is to bring home to them from the very beginning that they *must always work for their living and that they are* not entitled to any remuneration for the days on which they do not work.

They are treated in all respects like the other farm labourers and are required to perform with their own hands all such operations, as ploughing, laddering, weeding, jungle-cutting, carrying baskets of manure, cleaning the cattle-shed, transplanting paddy in mud, cutting and steeping jute and extracting fibre therefrom for which operation they have to stand in water *for hours together.*

They cook their own meals, clean their own utensils, draw their own water, make their own fuel, wash their own clothes and carry their purchases on their own shoulders from the bazaar to the farm, a distance of over two miles. The main object is to rid them of their notions of false prestige and self-respect and above all to make them fit for the profession of agriculture by accustoming them to stand in the sun as well as in rain. In the course of their work in the field *they learn the practical cultivation of each crop* from the preparation of the land up to harvesting and the work is so arranged as to make them familiar with all the crops grown on the farm during the period of their training.

Prospects After Training.

After one year's training each young man is given 15 bighas of *khasmahal* land free of rent for three years and an advance of Rs. 200 in cash to enable him to purchase a pair of bullocks and the necessary implements. *He is required to live on the land and to* bring the land into cultivation with his own hands; he is not allowed to let out the land in *barga* or in any other way to sublet any portion thereof. If at the end of three years the work is found satisfactory, an ordinary *raitwari* settlement is concluded on the usual terms obtaining in the Government Estate in which *the land is situated no salami being charged.*

The scheme, said Rai Sahib D. N. Mitra, is fraught with great possibilities not only in the solu*tion of the bread problem staring our young men in* the face but also in the matter of propagation of new crops and methods that may lead to the amelioration of the condition of our peasantry.

German Debts.

The following is the statement alluded to by Dr. Schacht, which was unanimously adopted by the British, American and other foreign bankers, who have been attending the conference called by the Reichsbank to consider the problem of the continued transfer abroad of the payments required for Germany's foreign debt service:—

"*As a result of the discussions there was general* agreement that the free reserves of gold and foreign currency which are still at the disposal of the Reichsbank have fallen to such a point that if further reductions occurred the exercise by the Reichsbank of the full functions of a central bank may be impaired, and that it is preferable that these reserves should be gradually increased, thereby fortifying the Reichsbank in its successful endeavours to maintain the stability of the German currency.

"It was also recognized that the declining surplus from Germany's foreign trade and services makes it necessary to consider the protection and extension of Germany's reserves of foreign exchange.

"No complete proposals for dealing with the situation were put forward by the Reichsbank, as the representatives of the foreign creditors were present simply to receive and give information and not to conduct negotiations. Those attending the meeting concurred in the view put forward by the Reichsbank that whatever action the Reichsbank might feel obliged by circumstances to take, the Reichsbank will use every effort not only to maintain contact with the various creditor groups but also to facilitate joint consideration of the situation with the creditors with the intention of reaching mutual understanding and agreement.

"The Reichsbank was informed that those present, representing long-term creditors, although not having any formal mandate, had established a small permanent group in order to enable the Reichsbank to continue the contact which it had intended to establish by convening the present meeting similar *to the contact already existing with the short-term* creditors through the standstill committees.

"It is recognized that the standstill agreements are a vital contribution to the maintenance of Germany's international trade and credit and under existing circumstances, contribute to their further development,

and that the maintenance of relations between those agreements is in the interests of all creditors.

"It was recognized by all that the German foreign trade and world trade must be regarded as fundamental to the problem of transfers. A permanent solution of the existing difficulties requires great efforts by Germany and also depends largely on the attitude of other countries towards the question of the exchange of goods, for ultimately international debts of magnitude can only be settled with the movement of goods and the renewing of services.

"In view of the important position of the German economic system in world affairs and the magnitude of its debt problem to be dealt with, it is assumed that one of the most important and urgent objectives of the World Economic Conference will be to facilitate a prompt and permanent solution of the German transfer problem."

Germany's foreign debts, long and short term, amounted at the end of September last to a total of 19,528,000,000 marks (approximately £1,000,000,000 at par). Since that date her indebtedness has undergone little change. Of the total, short-term credits account for 9,347,000,000 marks, including 1,171,000,000 marks (approximately £60,000,000 due to Great Britain.

Germany's long-term debts total 10,181,000,000 marks of which amount she owes 1,060,000,000 marks (£53,000,000) to Great Britain.

These sums do not include the foreign capital invested in German stocks or in German business enterprises but are solely loans given to muncipalities, federal States, and other public bodies and institutions, and loans to banks, industry, commerce, and agriculture.

The United States is Germany's biggest creditor with a total of 8,016,000,000 marks (£ 401,000,000). Holland comes next with 3,427,000,000 marks (£ 171,000,000). Other creditors are Switzerland 2,707,000,000 marks (£ 135,000,000), Great Britain 2,231,000,000 marks (£ 111,000,000), France 864,000,000 marks, Sweden 263,000,000 marks, Belgium 191,000,000 marks, Italy 147,000,000 marks, Czecho-Slovakia 146,000,000 marks, and Denmark 56,000,000 marks.

The Official Bureau for Market Research states that from the end of September, 1932, to the end of the coming September Germany would have to make the following payments in foreign currencies unless a foreign debt moratorium is declared :—

Interest on short-term foreign credits, 435,000,000 marks;

Interest on long-term foreign credits, 613,000,000 marks;

Capital repayment on foreign loans 280,000,000 marks.

Total, 1,328,000,000 marks.

The bureau further says that since January 1 last the Reichsbank has lost in gold and foreign currencies 481,000,000 marks, bringing down its total reserves of gold and foreign currencies to 449,000,000 marks by May 31.

Reserve Bank Question.

In a memorandum submitted to the members of the Reserve Bank Committee, Mr. Pochkhanawala draws attention to various points as under :—

The trade and industry of every country thrives through the help of indigenous banks, which form an important entity in its banking system. It is but proper, therefore, that indigenous banks in India should play a prominent part, and to enable them to do so their interests should be adequately protected by proper safeguards in the Reserve Bank Bill.

The following are a few suggestions in this direction :—

(1) The Reserve Bank should be allowed to act as the Bankers' Bank, and not enter into competition with scheduled member banks.

(2) It should open accounts and receive call deposits free of interests.

(3) Term deposits may be allowed from scheduled member-banks only.

(4) It should discount Bills bearing endorsements of scheduled member-banks only, to the extent of 50 per cent. of their paid-up capitals and reserves.

(5) The discount rate of Reserve Bank for member-banks should be 1 per cent under the official bank rate. (As is well known the bank rate in India is not identical with the discount rate but represent the date at which the Imperial Bank makes advances against gilt-edged securities.)

(6) The Reserve Bank should not appoint any bank as its Agents, but should open its own offices at necessary centres to manage Government Treasuries. At smaller centres it should entrust the treasury work to member-banks against adequate securities and at competitive rates.

(7) The Reserve Bank should make advances against securities to scheduled member-banks only at a uniform rate of 1 per cent under the official bank rate, so that the margin in their favour may enable them to make advances at bank rate to their constituents.

(8) The Reserve Bank should treat the scheduled member-banks alike and no special facilities or privileges or preference of any kind be accorded to any particular member-bank.

(9) The scheduled member-bank should deposit in cash with the Reserve Bank 5 per cent of their demand liabilities under call and current accounts deposits, 3 per cent of savings bank accounts deposits and 1½ per cent of period deposits.

(10) These deposits may be placed by the member-banks as may suit them at Head Office or at any of the branches of the Reserve Bank.

(11) The Reserve Bank should sell telegraphic transfers throughout the country at par to scheduled member-banks.

(12) The Reserve Bank should buy T. T.'s or drafts of scheduled member banks at par, commensurate with their deposit against demand and term liabilities. (Clauses 12 and 13 are essential for the protection of indigenous banks, as otherwise they would be entirely at the mercy of the Imperial Bank and foreign banks for such remittances and drawings to and from their head offices and offices and branches in different parts of the country.)

(13) The Reserve Bank should be invested with powers similar to those allowed to the Imperial Bank under the Imperial Bank of India Amendment Act, 1924, to enable it to help sound banking concerns in cases of emergency. (This is of vital importance for the protection of indigenous banks.)

(14) The Imperial Bank should be registered under the Indian Companies Act.

The term of ten years of the Imperial Bank's contract with Government having expired, an extension has been granted without charging, in the interest of tax-payers, any premium for facilities and privileges they enjoy from Government and for the free use of their funds.

This consideration now no longer exists, and in *all fairness to Banks in India the Imperial Bank's* past services to Government must not be recognized in a manner antagonistic to the very principles of *a Central Bank in relation to its members by special* facilities and privileges being granted only to one at the cost of others. For aught I am aware, this has never been the case with other Central Banks and it would not be proper to allow this in India where indigenous banks, most of them still in their infancy, are working as it is at such a great disadvantage, and striving to do their bit for the commercial and industrial development of the country.

New Persian Oil Pact.

The full terms of the new Anglo-Persian oil agreement, which has yet to be passed by the Medjliss (Parliament), have not yet been made public, though the main points are given below. The new agreement consists of a preamble and 27 articles.

Royalty will be of two kinds, one from oil produced and the other from net income. Royalty from oil exploited has been arranged at 4s. per ton on oil exported or sold internally. Royalty from net income is calculated thus: 5 per cent of the net revenue to shareholders; of the sum available for ordinary dividends in excess of the first 5 per cent, one-fifth is payable to the Persian Government.

TAXES TO BE PAID.

Further arrangements have been made for payments as follows:—During the first 30 years of the 60 years' duration of the concession the company will pay the following taxes to the Government in consideration of complete exemption from all other taxation. During the first 15 years of the 30 years the company will pay on all oil exploited up to 6,000,000 tons 9*d*. per ton and 6*d*. per ton for any oil extracted above the 6,000,000 ton mark. The minimum payment will, for the first 15 years, be £225,000. During the second 15 years the company will pay 1*s*. per ton *on the first 6,000,000 tons exploited and 9d.* per ton after that. The total to be paid is to be not less than £300,000. The second 30 years will not be *decided at present, but a new figure will be arrived* at when the time comes.

The Persian Government in the new agreement *has limited the area of the concession to one of* 200,000 square miles until 1938, when the area will be further reduced to 100,000 square miles. The area *is marked on a plan signed by both parties.* It will be noticed that the area is about half that allowed to D'Arcy.

The Persian Government is entitled to cancel the concession only in two cases: (1) When the board of arbitration provided for in the new agreement issues a decree in favour of the Persian Government with which the company fails to comply; (2) if the company goes into liquidation. If the company ever wishes to cancel the new concession it must give the Persian Government two years' notice, after which, when the cancellation is effected, all properties of the company will pass into the hands of the Persian Government.

Previously the company had exclusive right over pipe lines. Now, under the new agreement, certain *rights are reserved to the Persian Government.*

Petrol prices in Persia are to be fixed according to the prices in the cheapest world petrol markets. In *the case of Government consumption* a 25 per cent reduction will be effected, and a 10 per cent one in the case of the public when buying in Persia. These prices will not include transport charges, but will be ex-refinery prices. The Government, of course, undertakes not to export and to prevent exportation of oil bought for such consumption.

All workmen must be Persian subjects. Technicians also, as far as possible, must be Persians.

The company will pay an annual sum of £10,000 for the training of Persian students who are sent to England to study petrol. The selection of such students will be made by a representative of the Persian Government.

The Persian Government is entitled to inspect all operations of the company in Persia, all plans and technical undertakings.

The Government will choose a representative, resident in London, who will be entitled to any inside information, and will be permitted to ask anything an ordinary shareholder would like to know.

A £1,000,000 PAYMENT.

Disputes are to be settled by arbitration, each party to choose a representative and these two will choose a third who must not be an Englishman or a Persian. In the case where the third party is hard to find the Secretary General of the League of Nations will be asked to choose a representative.

The company has agreed to pay:—

1. A sum of £1,000,000 in settlement of all claims.
2. The Government royalty for 1931-32 to be *calculated on the new agreement.*
3. For payment of income-tax for the past years the company undertakes to pay a sum approximating *£500,000.*

To avoid fluctuations of the pound sterling, the company agrees to pay the Government on the gold basic value *prevailing on the day of the signature* of the new concession.

Indo-Japanese Trade.

Mr. Nalini R. Sarkar, president of the Bengal National Chamber of Commerce, has issued the following statement to the Associated Press upon the subject of Indo-Japanese trade:—

In a previous statement to the press, I expressed the opinion that while it was absolutely necessary that *Indian industries* shoud *be protected fully* against Japanese competition, it is equally urgent, in view of the important trade relations of this country with Japan, that *the representatives of business* interest of both the countries should meet in order to work out a mutually satisfactory trade agreement. I am pleased to note that this *view is gaining* increasing acceptance on both sides.

The possibilities of an economic agreement with Japan shonid, in my opinion, be investigated without further delay. From a preliminary survey of the trade between the two countries it appears to me that there exists an encouragingly wide scope for such closer co-operation. Japan's share in Indian exports even in 1931-32 was 8.7 per cent of the total value. In the same year in raw cotton alone her purchase amounted to Rs. 11 crores being 7.1 per cent of the total export of all kinds of merchandise, estimated

at Rs. 156 crores. Apart from the fact that Japan purchased in 1931-32 nearly 50 per cent of the exports *of raw cotton from India her consumption of Indian Pig Iron* amounted during the year to sixty-six lakhs of rupees, being 59 per cent of the value of total exports from India under this head. In Dressed Tanned Skins Japan's purchase was no less important being Rs. 25.7 lakhs in value out of India's total exports of this commodity valued at Rs. 3.1 crores. It may be noted here that of the total imports of this commodity into Japan the share of India was 40 per cent. India's share in Japanese imports of oil seeds was, however, disappointingly low, being valued at 0.8 million yens out of a total of 14.8 million yens.

The above are some of the important commodities that are exported to Japan from India and I am of the opinion that the scope for expansion of these exports should be explored by mutual negotiation. India, on the other hand, is one of the largest markets for Japanese manufactures, especially Japanese piece-goods. Out of Japan's total exports of the latter, 25 per cent in 1930, 27 per cent in 1931 and 30 per cent in 1932 came to India, in spite of the fact that India had successively raised her import duties on cotton goods. China had been till 1930 Japan's chief customer so far as piece-goods were concerned. Since 1930, however, the Indian market has become increasingly important to Japan as the following figures will show :—

Exports of Japanese piece-goods in million square yards for the first 11 months :—

	1930	1931	1932
China	552	334	289
India	374	360	592

Another fact to which I would like to draw the attention of the country is that, while Japan's exports to India have been increasing, her purchases from India have been on the decline for some time past. The talk of boycott of Indian cotton has come to prominence only recently, but the decline in Japan's purchase of Indian cotton started earlier. In 1930 Japan bought 597 million pounds of Indian cotton; in *1932 the figure had come down to 342 million* pounds. Imports of Indian pig iron into Japan declined from 150,491 tons in 1931 to 117,862 tons in 1932. Imports of dressed skins from India to Japan went down in value from 8.7 million yens in 1930 to 7.9 million yens in 1932, and imports of oil seeds from India have remained for all practical purposes stationary. Considering Japan's exports and imports as a whole India's loss will be apparent from the following figures :—

	In Million Yens.		
	1930	1931	1932
Japan's exports to India ..	129	100	102
Japan's imports from India ..	180	133	119

It would, therefore, seem as if there had been in existence in Japan a definite plan to push forward her exports from India and to restrict her imports from this country. Whether this is a feature of Japan's planned economy or is the result of the increasing control she has been exercising over new and wider territories in the Far East, or is due to both these factors is more than I can say with the facts at our disposal. Irrespective of the causes, our Japanese friends should understand clearly that India cannot, she will not, look on with equanimity at the export policy of Japan which is one of the gravest menaces our infant industries have been called upon to face, while she has steadily been curtailing her purchases of Indian products.

A trade agreement between the two countries must, in order to be of enduring benefit, be based upon "*give and take*". *In the markets of each country* the products of the other country must be assured a more or less definitely agreed share. There is one more point to which I would like to draw attention of the public. It has been reported in the newspapers that negotiations have been going on in London between the representatives of the Japanese and the British Governments. I am not aware that the Government of India are being consulted or kept informed of the progress of these conversations. If, therefore, any agreement is entered into in London, which does not appear to be in the interests of India, shall have a repetition of the experiences we had at the time of ratification of the "Ottawa Agreement". I would, therefore, suggest that the Government of India should request the Japanese Government to send a Trade Delegation to India, discuss and work out a trade agreement in co-operation with representatives of Indian business interests.

The Truth About Europe.

No armies are marching against one another. No guns are booming across the frontiers. No fleets are putting out to sea, cleared for action, says the *Daily Express*.

Munition factories are throbbing with activity. Soldiers are being trained, openly or in secret. They are being equipped with new and terrible weapons and taught how to use them.

Statesmen, in their public utterances, take less and less trouble to conceal the ambitions of their respective nations, and their determination to satisfy these ambitions by violence.

Hitler, in Germany, says that he has an army of 600,000 men in uniform (Reuter's correspondent in Berlin). The pre-war peace strength of the German Army was 650,000 officers and men.

But in addition to the 600,000 men belonging to what Hitler calls the "Iron Guard" there is the German regular army, 100,000 strong—limited to his size by the Treaty of Versailles, one of the finest bodies of professional soldiers in the world.

The whole of the German people is to be mobilized to work or fight for the fatherland. The civil flying service is being more and more militarised in its organization. Even the owners of private motor vehicles are to be mobilised in voluntary transport units and trained to play their part in war.

When the hour of battle strikes, Germany will be revealed as a complete and powerful fighting machine, as the Q-boat was transformed from an innocent merchent Vessel to the deadliest enemy of the submarine.

IN AUSTRIA.

Desperate efforts are being made by the dictatorial Government of Dr. Dollfuss to stem the tide of Hitlerism which is sweeping the country.

Austria is in terrible economic straits—a decayed noble whose estates have been confiscated dependent on charity.

To have herself, she must unite with Nazi Germany or with militarist Hungary.

If she unites with Germany, she will incur the hostility of Italy. *If she* unites with Hungary, the Little Entente countries will attack her.

The present Austrian Government does neither, and adds fuel to the Nazi fire.

Already half the Austrian police are Nazis. The Austrian Nazis think that it is better to be part of a strong Germany than the back passage through which Italy sends arms to Hungary.

IN FRANCE.

There are no misapprehensions about the significance of events in Germany. When Herr Siebert, Prime Minister of Bavaria, says: "Germany will *not rest until the Rhine once more flows as a German* river and not a German frontier," the French know that Germany has not forgotten Alsace

France is equipping her army with the latest devices of mechanised warfare. She has a fortified frontier from Belgium to the Mediterranean.

Her motor-car works, almost till few weeks ago, have suddenly leapt into feverish activity. They are not busy making motor-cars. They are, says the *Daily Express* correspondent, turning out munitions.

The Renault work are making 200 horse-power engines for the new military aeroplanes with which the French Army is being equipped.

IN ITALY.

Mussolini has two aims; To keep a weak Austria between himself and Germany; to expand on the eastern coast of the Adriatic in alliance with Hungary.

For the first reason he concentrated Italian troops on the Brenner Pass when the Nazis threatened to seize Vienna.

For the second, he is building a great naval base at Bari to dominate the Adriatic.

The Italian Army is large and well equipped. It has *the fastest fighting airplanes on the Continent.* It is heavily concentrated near the borders of Albania, which is an Italian protectorate.

The Albanian Army has Italian officers. When Italy marches against Jugo-Slavia it will be through Albania and behind a screen of Albanian troops.

IN HUNGARY.

Hungary, Italy's ally, is ruled by militarists. Its *Regent is an admiral, its Prime Minister a general.*

Hungary means to fight. She lost vast territories by the peace settlement to Roumania, Czecho-Slovakia *and Jugoslavia. She is determined to win them back.*

The young men of Hungary are being trained for war in organizations similar to the Boy Scouts. Hungary is being equipped for war by Italy.

A consignment of rifles sent from Italy through Austria to Hungary was stopped by order of Britain and France at Hittenburg in Austria.

Austria was ordered to return the arms to Italy. *The French paper, "Populaire" says that the rifles* have not yet been sent back.

But aeroplanes need not go through Austria. They fly over from Milan to the Hungarian aerodromes by night.

IN CZECHO-SLOVAKIA.

The Czechs are nervous about the friendship of Italy and Hungary. They possess huge territories, *which once were Hungary's. They also possess the* Skoda works, the largest munitions factory in the world.

Dr. Benes, the Prime Minister of Czecho-Slovakia, said the other day that if any one wanted to revise Czech frontiers he would have to send an army to do it.

IN POLAND.

The Poles are afraid of a German attack on the Corridor. They have an army of a million and a half, with arms bought in Czecho-Slovakia with money provided by France. They have acquired *sixty British tanks of the latest military pattern since* Christmas. These have been sent to Poland from Hull in the steamers Lublin and Lwow.

They have patched up a friendship with Russia which secures their rear, should war with the Germans come.

But the Poles are not easy in their minds. They do not know how far they can trust their allies, the *French. They are afraid that if they ever appeal* to the League of Nations that body will remind them that they snatched Vilna from the Lithuanians in defiance of the League.

They expect trouble in Danzig, where they enjoy special rights. The Nazis are growing in strength there. The Police, the Customs officers and the officials have gone over *en masse* to Hitler.

There is to be an election in Danzig on May, 28. A Nazi victory is likely. If it is followed by a Nazi rising to restore the free city to Germany, Poland *must act. The League of Nations has decided that* she has the duty of maintaining order when the Danzig police fail.

IN RUSSIA.

The Russians can take no part in the Military *intrigues of Europe. The Soviet rulers cannot trust* their army. Besides they must devote all thier strength to saving what they can of Russia's empire on the Pacific coast.

IN BRITAIN.

There is a growing realization of the fact that entanglements in Europe must inevitably lead us to war on the Continent. There is a tendency, ever increasing in strength to turn away from Europe with its bitter and tenacious memories, its sombre future and to seek the future of our race in closer union with brothers overseas.

Technocracy.

The New York correspondent of the *Manchester Guardian* writes :—

The latest intellectual fad among the American intelligentsia is "Technocracy". This new scheme for a social order is rapidly making converts in the United States and as things are how going, may presently become a movement of some importance.

Technocracy might be described as an engineers' *Utopia. It is based upon a careful, scientific study* of the power resources of the United States and, in particular, the diminishing amount of man-power needed per unit of production, under recent technological development. Most of this study has been done by a large group of engineers, working over a period of several years at Columbia University—their number is at present about one hundred—and a smaller group has been at work for more than a decade.

The "Technocrats" declare that technological unemployment, the displacement of men by machines, *has created problems incapable of solution by exist*ing methods. They claim that at least half of America's 13,000,000 or 14,000,000 unemployed are no longer needed in the industries from which they have been ejected; and that inventions already available will increase this unemployment to 20,000,000 or 25,000,000. This is on the assumption that the standard of living remains as high as formerly and that exports are not diminished from their former normal volume.

THE PRICE SYSTEM TO GO.

The adherents of Technocracy argue that the only way out of this dilemma is the abolition of "the price-system". They criticize Communism as being old-fashioned and insufficiently radical, since it retains the use of money. Under society as the Technocrats envisage it, all adults between the age of 25 and 45 would work about six hundred hours a year in electrified super-factories or other designated places of employment and by their activity would produce sufficient goods of every kind to raise the present standard of living in the United States about 1,000 per cent. These goods would be made available on a basis of need, and not on a basis of money.

The supporters of Technocracy are planning no revolution. Like the Marxians they insist that capitalism is cracking up, and that society will be forced to adopt their ideas as the only alternative to chaos and starvation. The guiding spirit in Technocracy is Mr. Howard Scott, a highly trained engineer, with a Savonarola-like quality of attaching to himself persons who become indifferent to personal gain. Only with the last few months have the Technocracy group permitted anything to be published about their work, and at the present time the American press is being flooded with articles descriptive of their plan and explaining in detail how the economic machinery of America cannot survive.

Incidentally, Technocracy is no world-wide panacea. Mr. Scott and his followers insist that only the North American continent is at present properly equipped both with the necessary raw materials and with technologically trained population to give Technocracy fair expression. What they propose is an isolated unit, cut off as completely as possible from the rest of the World.

Recent Economic Publications.

Statistical Year Book of the League of Nations, 1932-33.

League of Nations, Geneva.

The object of this Year-Book is to give an international synopsis of available statistics relating to the most important economic, financial, demographic and social phenomena. The present edition, which has been published in time for the Monetary and Economic Conference, provides fundamental documentation for the comprehension of the various problems connected with the economic depression. In view of the importance attaching, on that ground, to the data shown, a special effort has been made to bring these as nearly up-to-date as possible: this aim has been achieved with the help of the various national administrations, which in many cases, have provided even unpublished information. For the great majority of statistical series, figures up to the end of 1932 are given and a number covers the first quarter of 1933.

The contents of the Year-Book have also been made to relate more closely to subjects of current interest by improving, extending, or adding such tables as those on Public Finance (Nos. 109 and 110), those showing the balance-sheets of the Bank for International Settlements (No. 111) and recent monetary measures adopted in various countries (No.123), those on Unemployment (Nos. 10 and 11), Wages (No. 122), etc.

The disorganization of international balances of payments and the reversal of international capital movements between debtor and creditor countries in recent years are brought out in the tables on Balances of Payments (No. 100).

The increasingly unfavourable situation of domestic finances in most countries, is reflected in the table on Budget Accounts (No. 109), while another table gives up-to-date information on the position of the Public Debt and the movements of the Debt Service (No. 110).

The worsening of exchange rates (and, as a corollary, the appreciable increase in the production of gold which has partly been consequent upon the abandonment of the gold standard in some of the producing countries), the restrictions hampering exchange transactions, the contraction of international and of internal trade during the depression are reflected in the following tables: Exchange Rates (No. 123), Imports and Exports by Value and by Weight (Nos. 96 and 97), World Trade in dollar (No. 98), Imports and Exports by Groups of Commodities (No. 99), Movement of Shipping (No. 105), Railway Freight Traffic (Nos. 107 and 108).

The main features which emerge from a consideration of the numerous Production tables may be summarised as follows: A heavy fall in industrial production in most countries (followed, however, in the second half of 1932 by a slight recovery), a less noticeable fall in the production of industrial raw ater ials and a fairly stable level of production of cereals and other crude foodstuffs. On the other hand, prices, as shown in price indices (Nos. 124 and 125) and in price quotations in gold francs for a number of individual commodities, have undergone an almost continuous fall.

Unemployment, on the whole, has not decreased in comparison with last year. More detailed conclusions in respect of the situation in the various branches of industry can be drawn from the special table showing unemployment by groups of industries (No. 11).

In the field of vital statistics, special interest attaches to the recent censuses of population (1930 and 1931) for certain countries, the results of which are shown by age groups and by professional groups. It may be stated that the total world population is at present in the neighbourhood of 2 milliards. As regards birth and death rates both show a tendency to decrease; the tables on population movements include much data for 1932 (Nos. 6, 7, 8 and 9).

In order to facilitate interpretation of the figures, most of the information published has been reduced to a common unit of measure or value. The volume also contains detailed tables of coefficients for converting weights, measures and currencies (No. 1).

Several specially prepared geographical maps are given showing all the countries mentioned in the various tables.

A detailed alphabetical cross-index, by subject and by country, is given at the end of the volume.

Land and Rural Economics.

By Albert J. Saunders, M.A., Ph.D. F.R.Econ.S., Professor of Economics, American College, Madura. C.L.S. for India, Madras. Price Rs. 1-12-0.

This is a systematised attempt at producing a Rural Economics text-book for the use of students and social workers. Professor Saunders, who is not unknown to the readers of this *Journal*, has succeeded in planning and writing out a book that will be found both comprehensive and full. He throws the illuminating remark in the Preface that much of the poverty of India is due to the use—is it ill-use?—of the land that is made in it. However that be, he has produced a volume that is bound to long remain a text-book in Rural Economics in South India. It has been rightly included as one of a series headed "Books for the Times" edited by Dr. A. J. Appasamy, and published by the C.L.S., Madras.

Review of World Trade, 1932.

League of Nations, Geneva. Price 2s.

The Economic Intelligence Service of the League has published, in time for the World Monetary and Economic Conference, a Review of World Trade for 1932, containing numerous tables and graphic illustrations. The following indices extracted from this publication indicate the rapid and increasing pace of contraction of world trade since 1929:

	1929	1930	1931	1932
Value (in gold)..	100	81	58	39
Prices (in gold) .	100	87	68.5	53
Quantum ..	100	93	84.5	73.5

In terms of gold, the value of trade in 1932 was thus only 39 per cent of that in 1929, and the average prices of goods entering into trade had fallen by nearly one-half. The actual quantum of goods exchanged was 26-27 per cent less than in 1929. It is stated that, though the price fall slowed down in 1932, the trade figures for the first few months of 1933 do not suggest that the contraction of the quantum of trade has ceased.

This contraction is due mainly to less trade in manufactured articles. During the early part of the depression, it was largely caused by the reduced purchasing power of the non-industrial countries, whose products fell most in price. With the enormous increase in trade barriers in the form of higher tariffs, quotas and exchange controls, the centre of gravity of the trade depression has moved from non-industrial to industrial, from debtor to creditor countries. The exchange of manufactured articles between the industrial countries has recently contracted more heavily than the more indispensable exchange of manufactured articles and primary products between industrial and non-industrial countries. The share of industrial countries in world trade, which rose during the early part of the depression, fell in 1932.

While currency depreciation has contributed to the growth of trade barriers and was probably one of the causes of the continued fall in prices in terms of gold since the autumn of 1931, it has secured to the exports of the countries having recourse to it a somewhat greater share in world markets than previously.

Clearing agreements and discriminative trade barriers, erected in order to regulate bilateral trade balances, have led since the autumn of 1931 to a re-distribution of imports and exports of many countries. This has been very unfavourable for certain countries which are largely dependent upon so-called triangular trade.

Particular attention has been devoted to the structural changes indicated by the trade figures of certain countries. Many agricultural countries produce a greater share of their consumption of industrial manufactures, and certain of them—such as India and Egypt—have replaced a part of their production of agricultural products for exports by the production of foodstuffs previously imported. Certain industrial countries have also become more self-sufficient in food-products. The increase in self-sufficiency has, however, developed simultaneously with the impoverishment of both industrial and non-industrial countries.

One of the most important facts pointed out in the analysis of trade of individual countries contained in the volume is the weakening of the competitive power of the United States manufacturing industry. By the middle of 1930, the value of the exports of manufactured articles from the United States, the United Kingdom and Germany was almost the same and was about twice as great as that of France. During the last quarter of 1932, on the other hand, that of the United States represented only 52 per cent of the German, 62 per cent of the British and was only slightly higher than the French exports of manufactured goods.

The Agriculturist and the Price Level.

"Agricultural Prices in the United Provinces" by Dr. Raj Bahadur Gupta, M.A., Ph.D. Bureau of Statistics and Economic Research, U.P. Allahabad: The Superintendent, Printing and Stationery, U.P. 1933.

At a time when the unprecedented fall in the prices of agricultural produce is exercising the minds of people all the world over and the problem has engaged the special attention of the world economic conference, a study of agricultural prices in India ought to excite more than ordinary interest. Dr. Gupta has made a careful collection of all available statistics of prices in the different parts of the United Provinces, tabulated them in a systematic manner and suggested conclusions that may be drawn from them. Both wholesale and retail prices have been given and the index numbers have been properly weighted. The principles which have been adopted in compiling the figures have been explained at the outset and the effects of the steep fall in prices during the past four years have been pointed out.

The tragedy of the economic depression of the last four years has been the almost sudden and continuous fall in the prices of agricultural produce, reducing the purchasing power of the cultivator and rendering his industry absolutely unremunerative. On this point, Dr. Gupta's figures have the following tale to tell:—"The weighted index number of cereals shows that after 1900, prices went below the basal prices only during the period 1902 to 1904 and became level in 1931. From April to June there has been a further fall of 6 points. Immediately before the war in 1913 the index number was 135 and in 1919, when the prices reached their highest pitch, the index number stood at 263, *i.e.*, 163 per cent above the base year. In the first quarter of 1931, it stood at 97. Thus the prices were reduced to half in about a year's time. No other period of such short duration in the history of Indian prices shows such a violent change. The effect of this precipitate fall in prices on the income of the agriculturists can be easily imagined."

Everybody is asking when all this trouble is going to end and when normal conditions will return. An exhaustive study of prices in the United Provinces can, however, not be expected to supply the answer to this complicated problem in which so many different factors are involved. To Dr. Gupta, the outlook is far from cheerful. He says:—"It may, however, be affirmed without violating any canons of logic or economic laws that agricultural prices in the United Provinces are not expected to rise appreciably in the near future unless the Indian Government or the governments of countries with which she is commercially connected alter the exchange value of their currencies or change their fiscal policy..... On the whole, however, the outlook points towards a period of low prices, particularly in the case of cereals." A depressing conclusion and gloomy times ahead to be sure.

POONA, V. G. K.
June 1933.

Draft Standard Customs Nomenclature.

Vols. I & II. League of Nations, Geneva. Price 5s. and 10s.

The Secretary-General of the League of Nations has just communicated to the States two volumes of a Draft Customs Nomenclature drawn up by a Sub-Committee of Experts set up by a resolution of the International Economic Conference in 1927 with a view to bringing about the unification of the various customs nomenclatures.

In the Introduction the Director of the Economic Relations Section of the League Secretariat, M. Sttoppani, gives a brief survey of the development of this draft Customs Nomenclature:

"In making its recommendation, the World Economic Conference had in view the introduction of order, clearness and, above all, simplicity and uniformity into the nomenclature of Customs tariffs. All those who at present have occasion, in the course of business or study, to refer to these tariffs know from experience how difficult they are to consult and compare.

The great difference between the nomenclatures of the various Customs tariffs arises from two facts: on the one hand, the particular economic structure of each country, which must naturally be reflected in its tariff; on the other hand, the diversity of the formal and systematic criteria on the basis of which products are arranged in categories and items. Thus the items of the present Customs tariffs rarely coincide; even when they are similar in form their contents are hardly ever identical, especially in the case of collective items. Even the definitions of products frequently differ: for example, what constitutes *cardboard* or *special steel* or *lace* in one tariff does not do so in another. It is not surprising, therefore, that the consultation of the tariffs should lead to perpetual misunderstanding and uncertainty, that their application frequently involves disputes between Customs authorities and traders, and that those who desire to compare the duty payable on the same commodity in different countries are often totally unable to obtain satisfactory results: a commodity s mentioned specially in one tariff, appears under a collective heading in another, is divided among several headings in a third, and so on."

It also recalled that the Draft Nomenclature was drawn up by a sub-committee set up by the Economic Committee and consisting of the following members: M. Fighiera (*Chairman*) (France), M. Flach (Germany), M. Magnette (Belgium), M. Ferenczi (Hungary), M. Paci (Italy), M. Comte (Switzerland) and M. Fafl (Czecho-Slovakia).

This Sub-Committee, in a report addressed to the Economic Committee in June, 1931, gave the following explanations of the Draft Customs Nomenclature, which has now been distributed to the Governments:

"The Draft Customs Nomenclature proposed by the Sub-Committee of Experts classifies goods under eighty-six chapters, grouped in twenty-one sections. As regards the distribution of goods within the chapters, *origin*, *processes of manufacture*, degree of workmanship, and economic importance are each taken into account either separately or together. In some cases, the experts have taken into consideration the *nature of the packing* (for instance, for the sub-division for preserved vegetables, meat, fish, etc.) and, in exceptional cases, *destination*: thus the chapter relating to 'fertilizers' includes products which may be put to other uses, but are principally or normally used as fertilizers.

The Draft Nomenclature contains main or basis items, secondary items and sometimes tertiary or quaternary items."

The Sub-Committee added that the principal items only should be compulsory, the others being optional, with the reservation, though, that States desiring to sub-divide the basic items would be required to accept the sub-divisions provided for in the draft.

The system thus envisaged would leave countries free to draw up a tariff suited to their own economic and fiscal requirements, but such an adjustment of the League draft to the special requirements of the different States—effected by expanding and contracting the sub-items—would in no way alter the structure of the standard nomenclature. Goods would everywhere be classified in accordance with the same principles; the contents of each heading would always be defined in a precise and identical manner and the same terms be used everywhere for the same products.

The unification of customs nomenclature would in fact mean the unification of customs terminology, thus removing any grounds for uncertainty and ambiguity in interpreting tariffs.

In communicating the Draft Customs Nomenclature to the Governments, the Secretary-General draws attention to the procedure envisaged for the entry into force of a standard customs nomenclature: consultation between the industrial and commercial circles affected, following which each Government will publish the observations made and which it considers worthy of retention; the observations so collected will be examined by the Committee of Experts, which will, if necessary, revise the Draft Nomenclature in order to render it acceptable to all States.

The Secretary-General also recalls that in the opinion of the Sub-Committee of Experts the application of the League's Customs Nomenclature by the States will necessitate provision of means for ensuring that its unity is maintained. It will be essential everywhere to use the same criteria for the new goods which the continuous development of the technique of production may place upon the market. Hence both the Experts and the Economic Committee express the opinion that the States willing to apply the draft nomenclatures prepared by the League will be obliged to agree upon the creation of a permanent body with suitable powers. We note that the Governments have been requested to forward their observations on the Draft Nomenclature before July 1st, 1933. (*1st May* 1933.)

Empire Marketing Board Annual Report.

From May 1932 to May 1933. H. M. Stationery Office. *Price 1s. net.*

The Empire Marketing Board, in its Annual Report for 1932-33, publishes a list of products which have established new records for quantities imported into the United Kingdom. The imports of rice from India amounted to over a million cwts. for the first time since 1925, the imports of Indian tea totalling 312 million lbs. were greater than in any year since 1918. The list published by the Board shows that in most cases the new records displaced records made in 1931. There is plainly an upward tendency at work and a growing demand in the United Kingdom for the products of the Empire overseas.

The Empire Marketing Board has been working during the past year on a much smaller grant, the net vote being limited to £300,000. As in previous years, the bulk of the Board's income has been devoted to the promotion of scientific research likely to be of value to the whole Empire, and once again the main portion of the Annual Report is devoted to accounts of the scientific work done with the Board's money all over the Empire. The planning of joint programmes of research which the Board undertook two years ago, when it invited the different parts of the Empire to put on record what subjects they considered it most important for research workers to investigate, has made further progress. Australia, South Africa and Southern Rhodesia had already replied last year. Now the Report summarises the replies from India and from the Colonial Advisory Council of Agriculture and Animal Health. India suggests the study of fruit transport problems, of mineral deficiencies in the food of livestock, cotton breeding, wool research, and many other topics. The Colonial Advisory Council recommends the development of research on bovine sterility, and into the mineral and vitamin requirements of cattle and sheep and into the nature of skin diseases which reduce the economic value of hides and skins produced in the Colonies. The Council's programme of recommendations includes the virus diseases of tropical crops and research on the production side of the sisal and coffee industries. The replies so far received show a high measure of agreement throughout the Empire as to which problems call for priority of treatment.

In the last year the Board has been precluded by its reduced vote from extending its scientific commitments, but it has maintained with but small reductions its exsiting and outstanding grants, and the institutes benefited give in the Report full accounts of the work done and progress made. Among the newer developments may be mentioned tea research in India, where the relevant facts about leaf productin have been collected for the benefit of the industry, and tobacco research in Southern Rhodesia. Among new industries mention should specially be made of the pineapple canning industry in Mauritius. In last year's Report it was recorded that the Board had made a grant to meet half the cost of importing 300,000 pineapple crowns from Hawaii into Mauritius to help to establish a canning industry in the Colony. A comparatively large area has now been laid down, and the export of canned pineapple looks like becoming a new source of strength to Mauritius.

The Report, in describing the work of the Board's Marketing Officers, who approach bulk purchasers of commodities in order to interest them in obtaining their supplies from the Empire, shows that all the major local authorities in Great Britain and Northern Island have now been approached and tender forms covering supplies to some 1,500 institutions have been submitted to the Board for suggested amendment in favour of Empire buying. Most of the principal railway and shipping companies large hotels, public schools and voluntary hospitals have also been approached and the results have been most satisfactory. It is not only foodstuffs that benefit by this work; the Board's officers also press the claims of Empire timbers, of ropes made from Empire sisal, of English made glass, and urge the use in hospitals of Home manufactured supplies. The Trade Advisory Committees, which help the Marketing Committee of the Board, have been of the utmost assistance in this way.

The market intelligence services have been continued and extended and the inauguration of the Empire Broadcasting Service led to an invitation from the B.B.C. for the Board to provide a regular service of marketing news. This is a development still in its initial stages, which is plainly capable of far-reaching development.

The Board spent some £60,000 on publicity in 1932-33. Twelve sets of posters were displayed on the 1,700 special poster frames in four to five hundred of the chief cities and towns in the United Kingdom. Over 27,000 schools now receives copies of poster reproductions. The Board ran its own Empire Shops for periods of five months each at Sheffield and at Cardiff, and the number of samples sold through these shops in various centres now numbers over a million. Among the publicity activities of the Board in the past year special mention should be made of the Handbook of Empire Timbers which deals fully with sixty Empire woods which are commercially available in the United Kingdom. With generous assistance from various Empire Governments, the Film Unit of the Board has continued to make additions to the Board's Film Library, and has trebled the number of films available. The public demand for these films has also more than trebled and films from the Board's Library have been seen by nearly a million people.

The Means to Prosperity.

By J. M. Keynes. (Macmillan & Co., Ltd., London. 1s. net.)

Mr. Keynes has given us in the past a number of very valuable treatises on economic theory. He now presents the world with a practical and constructive programme which is meant to overcome or at least materially alleviate the depression that has been so long oppressing the world. As he himself observes "the remedy should be found in something which can fairly be called a *device*". He adds, further, that in the pamphlet before us he is dealing with a blend of economic theory with the art of statesmanship.

The programme laid before the world—admittedly for the benefit of the World Economic Conference—consists of two main parts. The first of these deals with capital expenditure at home. There is to be an increase of public loan-expenditure at home in order to create more employment as well as to place more resources at the disposal of the consumer. The author emphasizes the fact that this new expenditure is additional to and not merely in substitution for other expenditure. This statement is meant to counter the objection regarding the meagreness of

the employment created by the expenditure of any given sum. The other objection that such loan-expenditure will cause a strain on national and local budgets is also satisfactorily met. It is shown that if there is an additional loan-expenditure of three million pounds, about half of it is returned straightaway to the Exchequer partly because of the reduced expenditure on doles and partly in the way of the increased national income which is subject to taxation. Such expenditure will also raise prices in each country, mainly because it is unlikely that private enterprise will, on its own initiative, undertake new loan expenditure on a sufficient scale. It is added that this method of raising prices of commodities is much superior to the procedure of attempting the same object by restricting production.

The second part of the programme of Mr. Keynes has for its essence combined international action with the object of increasing the reserves of international money. Such increase of reserves is very necessary in order to allay the anxieties of Treasuries and Central Banks throughout the world. An international authority is to be set up with this object for the issue of gold-notes against an equal face value of the gold bonds of their governments, upto a maximum quota for each country—such quota is to be fixed at the amount of gold held in reserve by each country at some recent normal date, say the year 1928. In this way we come to the point of a stabilization of the currency on a parity with gold. Such stabilization in subject to two conditions. The first of these conditions is that the buying and selling points of gold to be separated by not more than five per cent. Further, this *de facto* parity should be alterable if necessary, if circumstances were to require such change. Mr. Keynes has been criticized on the ground that such a proposal for an international gold standard on his part is inconsistent with his former attack on the gold standard. His reply is that the proposal for an international control for regulating the commodity value of gold, and the two other conditions introduced by him justify him in proposing the use of gold as an international standard.

The proposals of Mr. Keynes have been criticized in various quarters. Recently, for example, Prof. Rist has argued that it is not additional capital that is required for raising prices because the banks, as a matter of fact, are in possession of large resources of the sort. Rather, it is the *entrepreneur* class which is diffident as regards the available capital. He also urges that it is difficult to foresee the later phases and results of inflation when it is once started. However, it is open to Mr. Keynes to reply that international action on the lines proposed by him will not only increase the resources available to the *entrepreneur* class but will also add to their confidence and put them in good heart. He might well add that he has provided against the danger of excessive inflation by setting up an international authority to control the increase of currency as well as by fixing proper quota for the distribution of the new currency. There can be no doubt that the proposals of Mr. Keynes have been devised with very great care and that they are entitled to the serious consideration of the World Economic Conference.

ANDHRA UNIVERSITY, WALTAIR. J. C. COYAJEE.

The Indian Tariff Problem.

By Hirendra Lal Dey, M.A., D.Sc., Lecturer in Economics, University of Lucknow. Messrs. George Allen & Unwin Ltd., Museum Street, London. Price 16s. net.

Has the Tariff Policy in India justified itself? That is the question attempted to be answered in this volume. Dr. Dey is well equipped for the task. He engages in a realistic study of the problem. As typical of major industries, he chooses for consideration cotton, steel and sugar. In regard to each of these industries, his conclusions in regard to the application of protective tariff to them he states separately. The problems are dealt with in adequate fashion with the aid of the latest available statistics. In the last chapter headed "Conclusion", he sets forth his arguments and conclusions, and ends with a plea for the formulation of a more rational tariff policy and an improved technique of tariff administration with the aid of more satisfactory data than hitherto used. His suggestion for improvement through "planning" and "rationalization" ought to receive closer attention than they have received; at least in the Textile Industry in Bombay. He discusses the idea of bounties in place of import duties as a method of State aid. This is not a novel suggestion but it has to be gone into with a determination that means action.

The writer prefers bounties to customs duties a method of protection for industries. He suggests that the administration of bounties may be planned on the ordinary principles of financial administration affecting a government,—say education or public health. The main arguments he puts forth in favour of this view are set out by him in the opening chapter of the book. Briefly, he thinks a fairer distribution of the burden of protection could be secured by that means. Also, a more rational allocation of public funds to the promotion of development in different competing spheres of public activities. His objection to the raising of large revenues by means of consumption taxes is not without justice. But is the Indian tax system rendered "highly repressive in character" by this kind of raising revenue, as he puts it? "Ideals" of taxation will necessarily vary. What is most to the point is how to maintain an equilibrium between different kinds of taxation in a country like India, where industrialization is the crying necessity of the hour. The consumer should be protected; that is true enough. But what of the country as a whole? What of its development? What of killing the unemployment that is rampant in it? And has any country grown great by means of its agriculture, largely primitive and carried on under conditions which are the reverse of sound? The consumption duties are a necessity if local enterprizes in the manufacturing lines are to prosper. This, however, does not mean that we do not support the author in his suggestion for a more refined technique of tariff administration. We also agree that the case for an Economic Advisory Council —with Provincial and City Councils— is a necessity if a rational and co-ordinated policy of National Economic and Social Development is to be evolved in this country. What Sir M. Visvesvaraya has spent a lifetime in popularizing in this country, Sir Arthur Salter has fully endorsed in so many terms. But will the Government of India act or have we to wait for the new national government for this as well?

Books in Brief

Short Reviews of Recent Books

The Indian Civil Service, 1601-1930.

By L. S. S. O'Malley, C.I.E., I.C.S. (Retd.). John Murray, London, 12s. net.

"The annals of the Indian Civil Service have yet to be written; but to their chronicler the 'Book of the Dead' is likely to prove a genealogical chapter of more than ordinary importance." So wrote the late Mr. J. J. Cotton, I.C.S., in his Introduction to *List of Inscriptions on Tombs and Monuments in Madras.* Mr. O'Malley, however, has thought otherwise for there is no chapter which owes its inspiration to this source of Civilian history. But Mr. O'Malley deserves high praise for the splendid volume he has produced on *the history of the Civil Service*—its *origin,* development and probable disappearance under the new India under evolution. There are chapters in it which read like romance—for instance those on Civilians and Literature and the many different *spheres of activity in which Civilians have worked.* Their War Services are duly recorded, while their services after the War (between 1919-1930) are dealt with in a fashion that should appeal to those in the Service. The founding, of the *Indian National Congress is claimed—rightly* too—for a Civilian and it is a first recognition of the great Hume's work for Britain in India. At last Hume has come into his own. Why it came into existence and what induced Hume to found it are duly *set out and Sir William Wedderburn's authority* on the topic is unreservedly accepted. That is so far so good. But Mr. O'Malley pictures the Civil Service to us as the injured party in Indian National development, which, to our mind, is a groundless suggestion. To him *the Civil Service is everything: the Subordinate* Service is nowhere. Where would the Civil Service be—or have been—if the subordinate services were not there? The whole of Indian Education has been diverted for this purpose and the fact of the Economic insufficiency of India is due to this fundamental defect in the Civilian administration of India. And who form the subordinate administration? The blood of the blood and the bone of the bone of the India? There is no chronicler for them. Mr. O'Malley *suggests* that the Civil Service will have no place in new India, *i.e.,* in the India of to-morrow. It may be so—if by that he means the Civil Service *as it has existed so far.* Change, Mr. O'Malley should know, is the one permanent thing in this world. And if things *change with constitutions,* those who belong to it and those who make it up, should of course change. The Civil Service exists for India and not the converse; and if that be so, the Civil Service should change, adapt itself and fall into line and be the real *servant* and *not the actual master as hitherto. The suggestion* by the way that the rule making power of the Government in India is limited by publicity in the *Official Gazette* (p. 105) is too remarkable to be left unchallenged. "Bureaucracy" in the form known to England is not existent *in India, says Mr. O'Malley.* In one sense, it may be so. But it is more "efficient" in the sense that they pass laws, apply them with a rigidity which makes the Government look like a machine. *This is not a question of mere "personal equation"* as Mr. O'Malley puts it. It is part of a "system" of Government and it is the "system" that the people are up against. It is, moreover, "efficient" in one direction and not equally so in other directions. That is where the rub is. *It is no use suggesting* as Mr. O'Malley does, that the people complain of want of "efficiency" in other directions, and that Government is unable to oblige them, especially in social matters. Why does the country cry for efficiency in other directions and why has it not had it—*in the so-called nation-building departments?* Applying the true test, the impartial judge will find that the Civil Service has used its power to consolidate its position; it has sacrificed all to training a Nation of subordinate officials; it has nearly killed initiative *in the people; it has made the people lose belief in* themselves; it has in one word emasculated them in a manner which will take years of work for a National Government to bring about a new order of things. Men have to be re-made in this country—to fit them *for the Army, Navy, and other key services;* for *industrializing* the country; and for making India a truly self-sufficient economic and industrial unit among the comity of nations. The history of the Indian Civil Service written by one who has lived under it would be a *very different one. Mr. O'Malley's picture, where* it is historical, is valueless and where it is unhistorical, it need not have been written. This may sound harsh criticism but we hardly have any doubt that Mr. O'Malley will agree that there is another side to the picture which he paints. The Civil Service has governed *but what about the governed? It is their view point* that is absent in this book, which, like the curate's egg, is good only in parts. Lest we be misunderstood, we shall set down here the unprejudiced view of a recently retired British member of Mr. O'Malley's *own service:—*

"The question before us is this: Will it be possible for them (members of the Civil Service) either to forget the rights and privileges they have enjoyed or to carry out the work of the administration under the *policy formulated by Indians? The time is* surely ripe for speaking the truth and the whole truth. The grievances of the people of India of every caste and creed—Moderates and Extremists—are not so much against the British people at large as against *the Civil Service which has been ruling India in the* name of Britain. All this chronic unrest and agitation in India would never have reached its present dimension if the members of the Service had confined their rule to that of guides of policy. The *Indian cry of self-government and autonomy* means—if it can mean anything real—that the people must get rid of the domination of the Civil Service. This does not mean that the Indian Nationalists refuse to recognize the stupendous value of the work done by Indian Civil Service men during the last century and an half, but human character being what it is,

they are no longer prepared to tolerate even most well-meaning and sympathetic friends who have for obvious reasons never greatly cared to show any consideration to their wishes."

Mr. O'Malley would do well to ponder these sentences of a brother member of the Service and see how far his account of the Service to which he belongs comes up to the standard of a true history by reason of its omissions and commissions. If he did that, he would see that the omitted part is at least as important as the part spoken to. A foreign Civil Service dominant in the land is incompatible with Self-government—of the people, for the people and through the people. That is the truth that should be grasped by Mr. O'Malley and his friends if they mean to serve India still in any capacity.

Canons of Orissan Architecture.

By Nirmal Kumar Bose. Published by R. Chatterjee. 120-2, Upper Circular Road, Calcutta. Rs. 10.

This is an attempt—and a successful attempt it is—to study Orissan architecture from the *inside*. The author has got out the canons of Orissan architecture, tested their readings from different manuscripts and studied them with the help of local craftsmen. He has supplemented the knowledge thus gleaned by field-work done in various parts of Orissa and the adjoining provinces. He has thus aimed at securing a workable restoration, as he styles it, of the science of Orissan architecture. If workers in other Provinces follow up this mode of research, it would be possible, as he justly remarks, to reconstruct the history of Indian architecture from the purely Indian point of view with something amounting to certainty. Mr. Bose's work has thus a value which cannot be over-estimated. He has handled the work of collating with care and his translation is both accurate and pointed. The work handled by him is the *Bhubanapradipa* (The lamp of the abode of the Gods) by Viswakarma. The book is fully *illustrated, the printing of both illustrations and the* letter-press leaving nothing to be desired.

Handbook to the Records in the Alienation Office, Poona.

Compiled by G. S. Sardesai, B.A. (Price As. 11.) Government Central Press, Bombay.

The Handook concerns itself only with those papers that are of historical interest and of the pre-British period of the Peshwas, *i.e.*, the Prime Ministers of the Chatrapati of Satara, whose period extended a little over one hundred years from 1713 to 1818. It seeks to offer such directions as will guide those who wish to continue their historical researches at the Alienation Office. Its object is to indicate in sufficient detail the original nucleus of the Daftar, its subsequent additions and arrangement, and the steps taken for its historical exploration from time to to time. A valuable handbook to research students.

The Message of Sat Tal Ashram.

With a Foreword by Dr. E. Stanley Jones. Association Press, Y.M.C.A., 5, Russell Street, Calcutta. Price Rs. 2-4-0. (Illustrated.)

If any one wants to know what is troubling the cultured Christian mind in India to-day, he should read this book. It is not only suggestive but eminently impressive. A description of the Himalayan Ashram is given with the routine of life lived there by its inmates. The name "Ashram" is sufficiently expressive to indicate its latitudinarian character. Dr. Stanley Jones states that the papers included in this volume—and they are seven in number—reflect the spirit of the Ashram group or the effect they produced on the group. He says that the Ashramites *studied other religions* "with sympathy and eagerness" but in the end, he adds, "we were always led back to Him (Jesus), who was the Light of all our seeing." That indicates the true spirit of the volume. Dr. Jones adds that in Him there is a message for India, an imperishable message. That he is in earnest and that he believes in what he writes goes without saying. To the believing Hindu, the feeling is uppermost, when he reads literature of this type, that Christianity is coming to its own in the Hindu religion, in which it had its origin long time back. At any rate, the fact is significant that earnest Christians think that a study of other religions is necessary even to appreciate their own. That is the result of contact with Hinduism. And half a century more, Christianity will have ceased to hold position it does to-day in this land. Not that it will disappear; but philosophically and socially it will have been absorbed by Hinduism, whose powers of assimilation have always been great. A book to be read through and through.

Kitchener Unmasked.

The Memoirs of Mr. Lloyd George, now appearing in serial order in the *Statesman*, are replete with incidents of absorbing interest. What kind of man was Lord Kitchener? Was he really the giant among men pictured by the popular imagination? What is the true verdict on one of the most enigmatic, and now almost legendary, figures of the World War? These are *startling questions which Mr. Lloyd George* endeavours to answer from the deep knowledge of personal contact in the second instalment of his War Memoirs. The author gives revealing glimpses of traits hitherto unsuspected in the famous soldier. It is indicated that at times both his opinions and actions were puerile. But greatness gleamed, inter*mittent but unmistakable. How did Lord Kitchener's* attitude towards Ireland at the outbreak of the War bring about an incident which gravely influenced Anglo-Irish relations and dampened fatally Ireland's enthusiasm for the Allied cause?

Mr. Lloyd George tells us that Kitchener, whose magic name raised a civilian army, had only the deepest scorn for the Territorials, and how his strange views concerning religious denominations in the Army led to scenes of fury at a Cabinet meeting. The eclipse of Kitchener's at first tremendous prestige is brilliantly traced; how his power at the War Office was usurped, and a remarkable assessment of the effect of his tragic end—these are among the features of a portrait of Kitchener that is certain to provoke the fiercest discussion.

Acknowledgments.

Rural Economic Conditions in South India 1800-1890.—By Dr. B. V. Narayanswami Naidu, M.A., B.COM., Bar-at-Law. Printed at Messrs. Srinivasa Varadachari & Co., 190, Mount Road, Madras.

Report of Work on the Coffee Experiment Station, Balehonnur for the years 1930 and 1931. Issued by the Department of Agriculture, Mysore State.—Bulletin No. 8.—Printed at the Government Press, Bangalore.

Records, Vol. XXX, 1931, issued by the Mysore Geological Department. Printed at the Government Press, Bangalore.

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